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Is France the sick man of Europe?
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Make or break for the movie musical

World Business Newspaper http://www.FT.com FRIDAY DECEMBER 13 1996

Siemens to cut 6,000 jobs to boost efficiency

Siemens, the German electronics group, is to cut a further 6,000 jobs in its German operations over the next year in an effort to improve efficiency and profitability. It also reaffirmed a forecast of no further profits growth in the financial year ending in September 1997. Page 23

IBM's Irish move: Ireland secured its biggest foreign investment when International Business Machines unveiled plans to build a $350m factory in west Dublin to make computer memory discs. The project will create 2,850 jobs. Page 8

BankAmerica to cut jobs and take a pre-tax charge of $380m in a restructuring of its activities, including closing 120 branches in California in favour of about 200 new ones in shopping centres. Plans for Europe are to reduce staff and restructure in mature markets while expanding in emerging markets, chairman David Coulter said. Page 23

Accord toward IT tariff ban: The European Union, Japan, Canada and US agreed to eliminate tariffs on most information technology products by 2000, but say countries covering about 90 per cent of total IT trade must agree to a draft accord by March 15. Page 22; No trade link to labour rights, Page 8

Court told of Andreotti's 'mob embrace'
A former member of the mafia repeated in court

his accusations that Giulio Andreotti, right, seven times prime minister of Italy, had met and embraced boss of bosses "Toto" Riina at a secret meeting in Palermo in 1987. The accusation was made by Baldassare Di Maggio, a former chauffeur and bodyguard, whose testimony was instrumental in leading to Riina's capture in 1993 after being on the run for 24 years. Page 2

Bid to end ban on British beef: The UK government will announce plans on Monday for a selective cull of up to 125,000 extra cattle in a last-ditch attempt to persuade the EU to ease its ban on British beef. Page 22

Scramble for Thomson resumes: Lagardère and Alcatel Alsthom indicated they were ready to do battle again early next year to buy the Thomson-CSF defence company now that France has said Thomson Multimedia will be privatised separately. Page 2

Brief break in Greek blockade: Greek farmers let a few foreign truckers through their barricades for the first time since blocking highways 15 days ago, but said they would resume their action. About 700 foreign trucks, mostly British, Dutch, Bulgarian and Turkish, have been stranded by the blockade.

Miami faces fiscal freeze: Corruption and mismanagement have brought Miami to financial crisis with a $68m budget shortfall that could see the Florida tourist city running out of money by March. The city has been given until January 2 to adopt a recovery plan. Page 5

Genetic engineering protests: A protest against genetically engineered feed grains was broken up by police in Hamburg while another was being staged near Rotterdam where a group blockaded a Unilever plant.

Freeway plan for rail freight: EU transport ministers agreed guidelines for trans-Europe rail-freight "freeways" to try to halt a shift to road hauliers. Railway share of freight fell from 31 per cent in 1970 to under 15 per cent in 1994 while road freight went from 49 to 71 per cent.

Drug money ring smashed in Spain: Spanish police say they smashed a money-laundering operation that may have handled $230m in illegal drug money over three years.

FT journalists honoured: Financial Times reporters Jenny Luesby and William Lewis were commended in the Scoop of the Year category in the 1996 Industrial Society Journalism Awards for their coverage of low pay in the UK textiles industry. Roger Taylor was named medical insurance journalist of the year. This prize was sponsored by Norwich Union Healthcare and the Medical Journalists' Association.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,387.91	(-14.61)
NASDAQ Composite	1,307.51	(-14.61)
Europe and Far East		
CAC40	2,212.11	(-1.17)
DAX	2,847.08	(+6.03)
FTSE 100	3,990.7	(+8.2)
Nikkei	20,501.20	(-67.18)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.958%
Long Bond	98 11/32
Yield	6.623%

OTHER RATES

UK: 3-mo Interbank	6 3/16%	(6¼%)
UK: 10 yr Gilt	98¾	(99 5/32)
France: 10 yr OAT	104.73	(104.98)
Germany: 10 yr Bund	102.20	(102.61)
Japan: 10 yr JGB	103.8185	(103.827)

NORTH SEA OIL (Argus)

Brent Dated	$22.415	(22.89)

GOLD

New York: Comex		
(Feb)	$370.8	(370.6)
London:		
close	$368.8	(368.6)

DOLLAR

New York: lunchtime		
£	1.6557	
DM	1.542	
FFr	5.22	
SFr	1.313	
Y	113.42	
London:		
£	1.6582	(1.6557)
DM	1.5439	(1.5412)
FFr	5.2231	(5.2177)
SFr	1.3135	(1.313)
Y	113.355	(112.85)
Tokyo close:	Y 112.8	

STERLING

DM	2.5601	(2.5518)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lits 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)	Es285	Turkey	L120,000
Germany	DM4.00	Lebanon	L£3500			UAE	Dh13.00

Bonn stance on euro likely to cloud atmosphere at ministers' talks

Germany sets hard terms for Emu deal

By Lionel Barber in Dublin and John Kampfner in London

Germany yesterday set tough terms for a deal on rules enforcing fiscal discipline in the future single currency zone, clouding the atmosphere before today's Dublin summit of European Union leaders.

As EU finance ministers gathered in the Irish capital in a bid to reach an eve-of-summit agreement on the German-backed budget stability pact, Chancellor Helmut Kohl told the Bundestag, the German parliament, that he was confident a deal could eventually be reached.

But Mr Kohl was vague about the timing for a deal, adding that it had to convince the public that the future single currency – the euro – would be durable and stable.

Mr Theo Waigel, German finance minister, said rules for enforcing penalties against countries running excessive deficits had to be "transparent and unequivocal". Exceptions had to be defined as narrowly as possible.

Diplomats said failure to strike a deal would sour the mood among EU leaders, who are already divided over the pace of future European integration, the chief theme at the EU's intergovermental conference. The IGC is supposed to prepare for future EU enlargement to eastern Europe.

Failure to agree a stability pact would not necessarily scupper the timetable for economic and monetary union which is due to be launched on January 1 1999. But it would knock financial markets' confidence in Emu.

The stability pact row has exposed a cultural gulf between Germany and the rest of the EU, including France, which is pressing for political discretion on the imposition of penalties. Bonn fears lax fiscal discipline could be a recipe for inflation and a weak euro.

As finance ministers struggled to narrow differences over the stability pact, there was some feeling that only the personal endorsement of Mr Kohl would give a deal enough credibility to win over a sceptical German public. Polls show almost two thirds of Germans are fearful about giving up the D-Mark.

One EU diplomat speculated that the Germans might carry out their earlier threat to delay a deal until the Amsterdam summit in June 1997, using the stability pact as a lever to extract better terms in the IGC's negotiations on political integration.

Germany is insisting on near-automatic fines against countries running public deficits in excess of 3 per cent of gross domestic product – unless there are clearly defined "temporary and exceptional" circumstances such as a disaster or recession.

It wants to limit the definition of a heavy recession to a fall in gross domestic product of either an average 1.5 per cent over four quarters or a year-on-year drop of 2 per cent. But with the exception of the Dutch, all other countries want to give ministers the final word on imposing fines.

Mr Malcolm Rifkind, UK foreign secretary, said the UK would retain its "wait and see" policy on Emu, irrespective of the findings of a Treasury paper on attempts by EU member states to "fudge" the convergence criteria.

However, Mr Rifkind struck a more sceptical note on the final day of a two-day House of Commons debate on Europe, making clear the government would resist "unnecessary" moves to integration.

He criticised Mr Jacques Santer, European Commission president, for warning last week that Britain was approaching the "hour of truth".

Earlier, Mr John Major, UK prime minister, attempted to reassure his Eurosceptic backbenchers, by saying he was to prevent dilution of the national veto at the intergovernmental conference.

Trying to allay fears, Page 2

Chancellor Helmut Kohl addresses the German parliament, the Bundestag, yesterday, outlining his policies before the European Union summit in Dublin today and tomorrow Reuter

Handelsbanken in $3bn bid for mortgage bank

By Greg McIvor in Stockholm

Svenska Handelsbanken, Sweden's biggest bank, last night launched a spectacular SKr22.9bn (US$3.37bn) takeover bid for Stadshypotek. The move dealt a blow to Skandia, the Swedish insurer, which had offered to merge with the mortgage bank.

Handelsbanken secured agreement from the government to buy its 34 per cent stake in what is believed to be Sweden's largest cash offer. Skandia, which had offered an SKr21.1bn all-share deal, said it would not withdraw, but would not raise its offer.

Mr Arne Martensson, Handelsbanken chief executive, believed its bid would succeed, assuming approval by Sweden's competition authority. "A higher cash bid is always better than a lower bid paid in a weaker currency," he said.

He said Handelsbanken was offering SKr180 a share for the government's holding and SKr190 to other shareholders. He predicted the deal would raise Handelsbanken's cumulative profits by SKr1.76bn over five years if expected synergy and rationalisation benefits arose, or SKr1.1bn in its "worst case" scenario. Mr Erik Asbrink, Swedish finance minister, said Handelsbanken's bid was worth SKr700m more to it than Skandia's. "Svenska Handelsbanken has made the best offer," he said, highlighting Handelsbanken's pledge to make no redundancies at Stadshypotek.

He said the state reserved the right to accept a higher

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bid, but "there are no signs of that at present".

Investors responded by driving up Handelsbanken's shares SKr7.50 to SKr196 in late trading. Stadshypotek's stock jumped SKr6 to SKr188. Skandia's shares closed up SKr4 at SKr190.

Analysts were less impressed by Handelsbanken's foray. Mr Peter Thorne, banking analyst at Paribas Capital Markets in London, was surprised by Handelsbanken's move into the stagnant mortgage lending market and believed its shareholders' enthusiasm would cool.

"[Handelsbanken] is making the classic mistake of going for size for the sake of it," he said. "It is already in the mortgage business and is taking market share from Stadshypotek."

Stadshypotek, which has recommended Skandia's offer, would not comment until its board had considered the Handelsbanken proposal. Mr Sven Söderberg, Skandia chairman, ruled out a higher bid but suggested the insurer could still match Handelsbanken – presumably if Skandia's share price rose further.

Handelsbanken's offer, constituting a 10 per cent premium above Skandia's, sur

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Australian life group plans a market listing

By Nikki Tait in Sydney

AMP, Australia's largest life insurance group and biggest stock market investor, yesterday announced plans to shed its "mutual" status in favour of a conventional corporate structure and list its shares on the stock exchange.

If the plan wins the backing of AMP's 2.3m members, it is likely to take place in late 1998. AMP would then rank among Australia's top 10 listed companies and could account for about 3 per cent of the All-Ordinaries index.

The life office said yesterday that members' capital on listing would stand at around A$8bn-A$10bn (US$6.3bn-US$8bn), although it declined to speculate on precisely what its stock market price tag would be.

Explaining the board's decision to recommend the plan, Mr Ian Burgess, chairman, said directors believed that "a different structure was both necessary and appropriate for the future".

Mr George Trumbull, its US-born managing director, has argued that demutualisation would help change the internal culture and give AMP a more aggressive, commercialised focus.

Yesterday, Mr Trumbull that said the new structure would provide "more flexibility in how we use our capital and how we respond to different and changing markets in Australia, New Zealand and the UK - and potentially in other countries in which we may operate".

With a "triple-A" rating, AMP has no immediate need for new funds - although a capital-raising at the time of the listing is not ruled out.

If the deal proceeds, AMP's will be allocated shares in exchange for their current "membership rights".

No decision has been made on whether to provide members with a cash alternative.

The AMP has about 1.8m

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AMP gives in, Page 26

Vendôme in Swiss watch deal with Sheikh Yamani

By Christopher Price in London and William Hall in Zurich

Sheikh Zaki Yamani, the former Saudi Arabian oil minister, has sold his controlling interest in Vacheron Constantin, the luxury Swiss watchmaker, to Vendôme Luxury Group, owner of the Cartier, Piaget and Baume & Mercier watch brands.

No price was disclosed but analysts suggested the deal was worth about SFr70m ($53m). The group, whose timepieces command prices ranging from £3,000 ($4,900) to hundreds of thousands of dollars, was founded in Geneva in 1755. It claims to be the world's oldest watchmaker.

The acquisition marks another addition to the array of luxury brands owned by the Rupert family of South Africa. It controls Richemont, the Swiss holding group, which owns 70 per cent of Vendôme. The latter was created in 1993 after the splitting off of the Rothmans tobacco business and the merger of Luxco and Dunhill Holdings.

The deal comes at a time when the Swiss watch industry has been hurt by the strong Swiss Franc. Watch exports fell 3.4 per cent in the first nine months of the year.

Although Vendôme increased watch sales by 13.4 per cent in the first half of the year, several smaller watch manufacturers have faced difficulties, particularly in East Asia where there has been a drop in tourist spending.

Mr Frederick Hasslauer of Bank Sal. Oppenheim in Zurich, said yesterday's deal reflected the pressures for consolidation among watchmakers.

Success in the industry was increasingly dependent on having a global reach, he added. SMH, the world's biggest watchmaker, bought Blancpain, a small Swiss luxury watchmaker, in 1992 and has used its marketing strength to exploit Blancpain's international brand name.

Nevertheless, it is rare for famous brand names to come on to the market. Vacheron Constantin sold about 11,000 watches last year, which puts is ahead of Blancpain.

However, analysts suggested that on the basis of the rumoured price of SFr70m, Vendôme was getting a bargain since that price was roughly one times sales. By contrast, Tag Heuer, a luxury Swiss watchmaker floated in September, is valued at more than twice sales.

At this year's Basle clocks and watches trade show, Vacheron Constantin launched its "Jalousie" watch, a mechanical timepiece in 18ct pink gold.

Mr Joseph Kanoui, chairman of Vendôme, said: "The development of Vacheron Constantin will be pursued in accordance with the philosophy of the Vendôme group which respects the identity, the individuality and the autonomy of each of its brands."

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Rivals set sights again on Thomson

By David Buchan in Paris

Lagardère and Alcatel Alsthom indicated yesterday they were ready to do battle again early next year to buy the Thomson-CSF defence company, after the government's announced late on Wednesday night that Thomson Multimedia would be privatised separately at some later date.

In saying it was "still interested", however, Alcatel showed itself slightly more guarded than Lagardère, which said it was "still a candidate" to buy Thomson-CSF.

Both French companies said they awaited detailed sale conditions from the government before taking a firm decision.

In the first failed attempt to privatise the entire Thomson group, Lagardère had proposed to sell on Multimedia to Daewoo of Korea. Alcatel, by contrast, saw some synergy between Multimedia's television activities and its own predominantly civil electronics and telecommunications business.

In recent weeks, Dassault Aviation and state-owned Aérospatiale, which are supposed to be putting the finishing touches to their own aircraft merger, have voiced disappointment at not having the chance to combine Thomson-CSF's radar and missiles and their aircraft in a new "vertically integrated" combine. Any chance of a bid by Dassault Aviation, however, seemed foreclosed by the government's statement that it wanted to create "a professional and defence electronics" grouping around Thomson-CSF.

Having cleared the ground for a fresh start in time for President Jacques Chirac's much-billed television interview last night, the government admitted the mess created by the first attempt at privatisation. "We have lost time, placed the companies concerned in a difficult situation and created damaging tension with Daewoo and Korean leaders," confessed Mr Jean Arthuis, the finance minister.

The Federation of Korean Industries has protested to the French government, hinting that other projects such as Seoul's purchase of French TGV trains could suffer. However, a Daewoo official yesterday reiterated the company's determination not to walk away. "Yes, we still want to take over Thomson," Daewoo's vice-president, Mr Nam Kwi-hyen, said in Seoul. "But we have to wait for the French government's decision."

Mr Arthuis said the Koreans should not think the French government had been behind the objections raised by the independent privatisation commission. While he expressed contrition at what had happened, Mr Arthuis said he could not imagine the Korean company would indulge in any "blackmail" by, for instance, trying to torpedo the new privatisation by appealing to the European Commission.

"Daewoo can be a candidate" eventually to buy Multimedia, Mr Arthuis said, though he could offer no date for its privatisation. This may now be after parliamentary elections in spring 1998. Multimedia first needed recapitalisation to the tune of FFr10bn ($2bn), he said.

Before finalising its new procedure, the government is taking advice on the interpretation of French law which sets rules for the sale of "second order" state-controlled companies like Thomson-CSF. These are slightly different from those on first rank state enterprises like Thomson SA, the shell company that holds 100 per cent of Multimedia and 58 per cent of Thomson-CSF.

After the government chose it in October, Lagardère revealed that its bid valued Thomson-CSF at slightly more than FFr18bn, composed of FFr10.8bn to buy the government's 58 per cent stake and an offer of up to FFr7.8bn to buy out minority shareholders. Alcatel never revealed any separate price, but its overall bid, taking account of group debts, was almost identical to Lagardère's.

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Kohl tries to allay fears about Germany

Bonn is not seeking to dominate Europe, says Chancellor, and is ready to cede sovereignty

By Ralph Atkins in Bonn and Lionel Barber in Dublin

Chancellor Helmut Kohl yesterday defended Germany against criticism that it is seeking to dominate Europe.

Opening a debate in the Bundestag, the lower house of parliament, on the future of the European Union, Mr Kohl said Germany did not want more influence than any other member state and was committed to making political integration in Europe "irreversible".

His comments address concern elsewhere in Europe that a united Germany is becoming the preponderant economic and political power on the continent, and is setting the terms of economic and monetary union.

The European parliament yesterday agreed a European Union budget for 1997 which showed no growth in real terms, Reuter reports from Strasbourg.

The effort to contain the Union's spending is in line with the struggle by national governments to curb their own budgets ahead of economic and monetary union, expected in 1999.

Mr Hugh Coveney, budget minister of Ireland, which hold the current EU presidency, said afterwards that the budget was satisfactory because it respected the ceiling ministers had placed on EU spending. Mr Erkki Liikanen, budget commissioner, also considered it "quite satisfactory".

Overall, the parliament agreed a budget of Ecu89.14bn ($110bn) compared with Ecu86.53bn this year.

MEPs agreed a compromise on financing for European rail and road networks, research and the peace process in Northern Ireland This involved using savings in other policies and drawing on the separate foreign policy budget. The battle over additional money for transport networks has been at the core of Commission plans to spur job creation.

The Chancellor stressed that Germany was ready to cede political sovereignty. Majority voting should be the norm in the decision-making Council of Ministers, save in specific exceptional circumstances.

He added that a more populous Germany would not seek to break the current parity in voting weights which it holds with France and Britain, and would take into "appropriate" account the interest of smaller states.

The issue of voting weights and the balance of power between small and large countries is one of the thorniest in the EU's intergovernmental conference due to be concluded in Amsterdam next June.

In his speech, Mr Kohl stressed the EU's internal and external security policy. Tackling the drugs mafia and terrorism was a central task for Europe. He looked forward also to the convergence of the EU and the Western European Union, the defence group, with the goal of its eventual integration.

"In spite of recent criticism of the European Union, the federal government and myself personally are determined to do everything to make the integration process irreversible," the chancellor said. Integration was and remained "the effective insurance" against nationalism and war.

Completion of an economic and monetary union was needed, Mr Kohl said, to build on the success of the European single market.

His firm rather than strident line was almost certainly influenced by opinion polls suggesting German voters remain sceptical about the single currency.

A Stern magazine poll yesterday showed more than 60 per cent view currency union with fear and less than 20 per cent "with hope".

Meanwhile, Mr Kohl's Christian Democratic/Christian Social Union came under pressure in the Bundestag from opposition parties demanding higher priority for tackling Germany's high level of unemployment.

Mr Rudolf Sharping, leader of the Social Democratic party in the Bundestag, called for a "European growth and employment pact", while Mr Joschka Fischer, parliamentary leader of the Greens, accused the federal government of "stability *fetishism*".

Dubliners get a taste of the euro

By John Murray Brown in Dublin

Irish drinkers yesterday had an early taste of the dual pricing which is likely to accompany the run-up to the introduction of the European single currency. Regulars at Foleys on Dublin's Baggot street seemed unimpressed.

"Does this mean we get less wages?" said one drinker, puzzled as to why a pint of stout costing I£2.15 is likely to cost £2.69 when consumers start spending euros in 2001 or 2002.

"We were promised bigger glasses when they gave us decimalisation, but that never came. I suppose we'll have to go dry," said another.

In Reillys, where John Major once drank a pint of porter, the barmaid takes a more constructive view: "Doesn't this mean we won't have to change money when we go on holiday?"

To welcome European Union heads of state, who begin their two-day summit in the Irish capital today, pubs around the city put up posters telling drinkers how much their tipples are likely to cost in euros.

The posters, distributed by the Licensed Vintners Association, assure any political leader sampling the local brews that "the actual euro/punt exchange rate will not be finalised until later". The notional rate of 80p to one euro – or E3 for a pint of lager, as one senior official preferred – was for illustration only.

EAN, an organisation which promotes the use of barcodes, has sent a similar poster to retailers, with the slogan "The euro is coming". But the fever gripping official Dublin showed little sign of spreading.

The attempt to raise awareness follows this week's launch by Mr Ruairi Quinn, the finance minister, of *Ireland's Emu Business Awareness Campaign*.

Asked about comments said to have been made by a visiting Bank of America economist casting doubt on Emu's timing, Mr Quinn showed some irritation. "You're referring I believe to an Englishman working for an American bank. That makes him doubly prejudiced. Don't discount the strategy of the Americans, who are not interested in seeing a strong European currency. And we know the British attitude."

Zil's famously large limousines line Downing Street, having been brought specially to London on the occasion of President Boris Yeltsin's visit in 1992 — Trevor Humphries

Russian motor-maker takes another road to capitalism

The once-prestigious Zil has become part of the struggle over how economy should be privatised, writes Chrystia Freeland

Russian television viewers are being wooed by an advertising campaign by Zil, once the Soviet Union's most prestigious car and truck manufacturer. As grainy images of Soviet worker-heroes and gargantuan assembly-lines flash across the screen, a voice intones: "After all that Zil has done for us, it is time for us to do something for Zil."

The appeal is part of a campaign launched by Mr Yuri Luzhkov, the powerful mayor of Moscow, to revive Zil's fading fortunes and marks the latest stage in the struggle over how Russia's economy should be privatised.

Mr Luzhkov lost the first round to his arch-rival, Mr Anatoly Chubais, the radical reformer whose mass privatisation scheme transferred more than 80 per cent of Russian industry into private hands. Two years later, Mr Luzhkov, a candidate to succeed President Boris Yeltsin in the Kremlin, has rejoined the fight and he has chosen Zil as his battleground.

This autumn the Moscow city government spent $6m on a controlling stake in the struggling manufacturer, bringing Zil back into state hands less than four years after it had been privatised. Mr Luzhkov intends to use municipal ownership of Zil to show how industrial titans should be shepherded into capitalism: not by the unreliable, invisible hand of market forces, but under the careful guidance of a wise government.

"This is to show how one should work with the privatised system," Mr Luzhkov explained in a recent interview. "In many cases privatisation has already taken place but it has been a failure. The state must find honourable ways out of this difficult situation."

Using its considerable financial and political muscle, the city has begun to resuscitate the company. Moscow made a direct contribution, agreeing to buy 1,000 trucks this year, an order worth about $20m. The city also helped Zil slash its expenditures, transferring its social operations to the municipal government, saving Zil Rbs10bn ($1.8m) a month.

More importantly, the acquisition has brought Zil into the empire of a political boss few Russians wish to offend. With city backing, Zil has secured a Rbs200bn loan from a syndicate of commercial banks brought together by Mr Luzhkov. The city has begun to use Zil vehicles in barter trades with suppliers. The mayor also organised a Zil road-tour around central Russia urging regional leaders to support the Moscow factory.

Employees seem delighted with their new patron. "What has happened here is one of the rare cases when an enterprise has at last found a good owner," said Mr Alexander Titov, the chief engineer. He said the city's involvement, and the subsequent pick-up in production – which is expected to jump to 4,500 vehicles in the fourth quarter of this year after dropping to 3,000 in the first nine months – have boosted the morale of the entire enterprise.

He also hinted that Microdean, the computer retail company which had acquired a controlling stake in Zil, was more interested in stripping assets than in making cars. One technique Mr Titov claimed Microdean used to channel money out of the struggling company was to lend Zil money through a Microdean subsidiary which charged "barbaric" penalties for late payment. Thanks to daily 1 per cent fines, Zil's initial borrowing of Rbs175bn swelled to Rbs681bn in less than two years.

But, as Mr Titov proudly reports, after Mr Luzhkov's intercession, Microdean agreed to reduce the figure to Rbs200bn.

The conflict between production-oriented Soviet-era management and aggressive new owners has been played out at hundreds of factories across the country. The fledgling entrepreneurs have lacked the massive capital required to make the ageing red giants profitable and their attempts to make money by shutting them down and selling off their assets have proven politically explosive.

As a result, privatisation has often failed to deliver effective restructuring. Radical reformers say the only way to ensure it occurs is to impose tougher budget constraints on failing factories and to give teeth to bankruptcy laws. Mr Luzhkov has a different solution, which could prove more popular with the millions of Russians who share the attitudes of Mr Titov, who has worked at Zil for 14 years.

Although Mr Titov, who is 39, admits that an 18-year-old secretary at a commercial bank "earns more than I do and is paid more promptly", he has resisted the lure of private sector. "Some of my friends, highly qualified engineers, spend their days hawking government tax exemptions [a tradeable security] or treasury bills," he says. "I do not have the taste for that. Our country cannot live on hot air and oil exports forever. Someday, someone has got to go back to producing things."

From his vantage point in the Zil boardroom, Mr Luzhkov is promising Russians across the country a return to the days when "producing things" was the nation's priority. It is a campaign which is likely to dominate the country's economic debate over the next few years.

If Mr Luzhkov has his way, it might also become the leitmotif of Russia's next presidential elections.

Andreotti 'embraced Mafia boss'

By Robert Graham in Rome

A former member of the Mafia yesterday repeated in court accusations that Mr Giulio Andreotti, seven times prime minister of Italy, had met and embraced Mr "Toto" Riina, the boss of bosses, at a secret meeting in Palermo in 1987.

The accusation was made by Mr Baldassare Di Maggio, a former chauffeur/bodyguard to Mr Riina whose testimony was instrumental in leading to the latter's capture in 1993 after being on the run for 24 years.

It is one of the most damaging allegations against Mr Andreotti since his trial began this autumn in Palermo on charges of alleged links with Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

Mr Di Maggio told a hushed court-room in Rome he had arranged a meeting for Mr Riina with Mr Salvo Lima, a leading Christian Democrat politician and the head of Mr Andreotti's party faction in Sicily.

"As soon as Riina and I got into the room Mr Lima and Andreotti got up; and Riina greeted him with a kiss on the cheeks – one on the right and the other on the left. I shook hands with the senator (Andreotti), and then left the room," he said.

The meeting, he said, lasted three hours and was held in the house of the late Ignacio Salvo, a Sicilian businessman linked to the Mafia. "I know Andreotti has denied this episode; but this is the truth – a truth which only I and Senator Andreotti can know."

Mr Andreotti attacked the credibility of Mr Di Maggio: "Lies, mere lies which I have been hearing for three and a half years and I know will keep on hearing for some time!" He claimed Mr Di Maggio was lying to ensure he continued to be covered by a witness protection programme. "Of course he confirmed the kiss; but I hope he repents both for his lie and for the slander."

The prosecution alleges Mr Andreotti had to meet Mr Riina because the Mafia boss was threatening to eliminate Mr Lima for failing to deliver continued political protection. The meeting allegedly occurred on September 20 when Mr Andreotti was in Palermo. On that day there is a four-hour lunch-time gap when not even his bodyguards knew where Mr Andreotti was.

New Swedish N-power row

By Greg McIvor in Stockholm

Sweden's industry minister, Mr Anders Sundström, has stirred up a new political storm over the minority Social Democratic government's programme to close down the country's nuclear power industry.

He said in a newspaper article that he opposed a "panic phase-out", and dismissed demands for the first reactor be shut before the general election in 1998 as "an exercise in dates".

Two of the government's key allies on the nuclear issue, the Centre and Green parties, accused the Social Democrats of backtracking on a pledge to close the first reactor by the end of 1998.

The Centre, which has an extensive unofficial alliance with the Social Democrats, refused to say if it would continue to take part in talks on decommissioning. The Greens threatened to pull out unless the 1998 deadline was restored.

Mr Sundström has been under pressure from Swedish industry and trade unions not to commit himself to a timetable, amid fears that the closure of the nuclear power plants would drive up electricity prices and undermine industrial competitiveness.

The industry ministry insisted yesterday it remained hopeful of reaching a broad agreement on the phase-out programme by the end of the year.

In an attempt to woo doubters, Mr Sundström has stressed the winding down will only proceed in step with development of alternative, sustainable fuels such as solar, wind and bio-energy.

He said yesterday the government was considering taking over Sweden's international electricity lines to ensure no nuclear or other "unsustainable" power was imported after the start of the phase-out.

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Little to celebrate in Turkish human rights week

Ankara insists that the fight against terrorism must come first, but its record of abuses is increasing its international isolation, reports John Barham

It is human rights week in Turkey, but there is little to celebrate. Human rights workers counted 59 extra-judicial killings, 166 "disappearances" and 171 cases of death from torture between January and October. In October alone, 158 people were imprisoned for violating security laws that limit freedom of expression.

Turks are sweeping international human rights prizes. This week Reporters sans Frontières, the Paris-based journalists' association, awarded its annual prize to Mr Işik Yurtçu, editor of a pro-Kurdish newspaper. He was jailed in December 1994 under Turkey's anti-terrorism law.

Earlier this month, a group of women won the International League for Human Rights medal for their weekly vigils in Istanbul protesting against political killings, torture and "disappearances" – abduction of political dissidents by security police.

Although violations have declined over the past two years, campaigners say the grim statistics tell only part of the story. A member of Turkey's Human Rights Foundation, which is organising this week's events, says: "Violations have become part of daily life... people think it is normal to be tortured by the police."

Furthermore, collecting information and defending victims in the mainly Kurdish south-east, where a bitter 12-year insurgency led by the Kurdistan Workers party (PKK) rumbles on, remain as dangerous as ever. The south-east suffers the worst abuses.

Turkey's human rights record is increasing the government's international isolation. Washington has blocked sales of ships and helicopters, citing human rights violations. In October, the European Parliament blocked aid to help Ankara implement a customs union with the European Union. Instead, it voted to focus help on human rights organisations, independent aid agencies and promoting democracy.

It also voted to review aid from the EU's programme for southern Mediterranean countries.

In the opinion of Mrs Tansu Çiller, foreign minister: "It is a sign of injustice to Turkey. This smashes Europe's understanding of democracy. In no way does it blemish Turkey." But MEPs are angry because they feel duped by her. She promised to improve human rights to win parliamentary approval for customs union last December and while Ankara did amend the constitution and rewrite its anti-terrorism law, violations continue.

Ankara still hopes customs union will culminate in full EU membership. But this remains as distant a prospect as ever, particularly as Turkey rejects Europe's emphasis on individual rights. The foreign ministry argues these must be balanced against the need to maintain national unity and combat terrorism.

Mr Sermet Atacan, foreign ministry spokesman, says: "Our critics in Europe regard the PKK problem as a human rights issue. It is a problem of terrorism and should not be confused with human rights." He recognises that "there are individual cases of [violations]. But we investigate, prosecute and punish [offenders]".

Yet Turkey has 688 cases awaiting examination by the European Human Rights Commission, part of the Council of Europe, the Strasbourg-based assembly that promotes democracy and human rights in Europe and which Turkey helped found in 1949. A Council official reports a "geometric increase" in cases brought by Turks against their government.

Ankara's defiant stance only worsens its isolation. Even its own defenders are giving up. In November, Mr Bakir Çaglar quit as Turkey's defence counsel at the Council of Europe. He was quoted as saying he would now work to "bring the country to a more defensible level of conduct".

The Islamist-led government of Mr Necmettin Erbakan says it is placing more emphasis on human rights than its predecessors, but it is threatening more legislation to muzzle the media. Still, in November it submitted a bill to parliament shortening the initial period of police detention for suspects. Human rights lawyers say torture is most common during initial detention periods. Mr Şevket Kazan, justice minister, has even promised "great efforts" to hunt down the "unknown killers" responsible for extra-judicial killings.

However, campaigners are used to promises and want action. Mr Carsten Jürgensen, Amnesty International researcher, says: "We look at the [announced] changes in policy and safeguards and ask why they have not been implemented."

Polly Peck, Page 10

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EUROPEAN NEWS DIGEST

French pension plan weakened

Mr Jean Arthuis, French finance minister, yesterday backed down on a central proposal in the government's draft law on complementary pension funds, in a move which critics suggested would weaken their effectiveness.

Mr Arthuis told the Senate employers would be able to write off social security costs against payments into complementary pension funds only up to the existing 85 per cent ceiling of the maximum social security charges.

In the draft approved last month by the National Assembly, employers would have been able to gain exemption for any contributions to pension funds up to the larger limit of 2 per cent of the gross payroll. The proposition caused considerable criticism, with demands that the government make up the contributions shortfall to the social security system. The unions have attacked complementary pensions as a threat to the state pension system. The Senate is considering more than 120 amendments to the law. *Andrew Jack, Paris*

Belgian deputy PM cleared

Mr Elio Di Rupo, Belgium's deputy prime minister, was cleared yesterday of allegations that he had sex with minors, when a parliamentary inquiry ruled the evidence against him did not stand up. The majority decision of the 11-strong inquiry committee is expected to be endorsed by a full parliamentary vote, but some opposition parties denounced the decision as a cover-up.

Under Belgian law, only parliament can lift ministers' constitutional immunity from prosecution, or consult the supreme court on evidence against them. But, as a result of the Di Rupo case, parliament is expected shortly to vote on an amendment allowing allegations against ministers to be passed directly to the supreme court without first consulting MPs. *Neil Buckley, Brussels*

Bosnian joint prime ministers

Bosnia's three-man presidency yesterday appointed a Serb and a Moslem as joint prime ministers of the divided country. Mr Haris Silajdzic, former prime minister, will represent the Moslem-Croat federation and Mr Boro Bosic, former minister of industry in the Serb half of Bosnia, will share the post in a weekly rotation.

The two have a week to name the other members of their joint cabinet. They will be assisted by Mr Carl Bildt, the international civilian co-ordinator of Bosnia's peace, said Mr Michael Steiner, Mr Bildt's deputy. As well as the rotating premiership, the cabinet – the Council of Ministers – will include a Croat as deputy prime minister and foreign minister, a Serb as minister for civil affairs and communication and a Moslem as minister for foreign trade and economic relations. *AP, Sarajevo*

European car registrations dip

Western Europe's new car market sent out further conflicting signals about its state of health in November, falling by 5.2 per cent year-on-year after experiencing unexpectedly rapid growth in October. Statistics from the European Automobile Manufacturers Association yesterday showed November's total registrations in the 16 countries monitored fell to 903,300 last month from 952,400 in the month a year ago. The drop was accounted for mainly by a 21.8 per cent fall in registrations in France, where a government sales incentive scheme ended.

The French scheme was largely responsible for western Europe registrations leaping by 14.5 per cent year-on-year in October, as buyers scrambled to beat the deadline. However, other main markets held up better than expected. *John Griffiths, London*

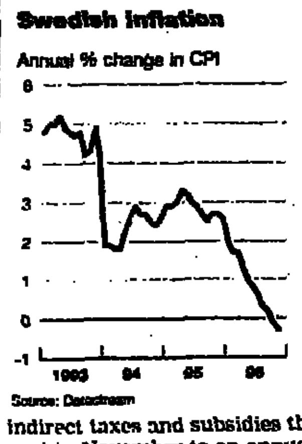
Christopher 'insult' denied

French officials yesterday denied having intentionally insulted Mr Warren Christopher, outgoing US secretary of state. They were commenting on complaints from US diplomats – reiterated yesterday – that Mr Hervé de Charette, French foreign minister, had left the room during a speech on Tuesday by Mr Javier Solana, Nato secretary general, in praise of Mr Christopher.

"It would seem that some people want to provoke a crisis in Franco-American relations, but that is not our intention," said Mr Gérard Errera, the French ambassador to Nato. "Mr de Charette is a courteous man" who could not have intended any rudeness to his US counterpart, he added. *Bruce Clark, London*

ECONOMIC WATCH

Swedish prices keep falling



Swedish consumer prices fell in November for the second month running, taking the annualised drop in prices to 0.3 per cent. Sweden, the only European country experiencing a negative annual inflation trend, last experienced it in 1959. Statistics Sweden said prices dropped 0.3 per cent from October to November, primarily because of lower food prices, particularly fresh vegetables and fruit. Housing costs fell 0.4 per cent, helped by lower interest rates. The net price index, which excludes indirect taxes and subsidies that affect prices, fell 0.5 per cent in November to an annual rate of -1.4 per cent. Economists said the price falls were bigger than expected and boded well for low wage agreements as the 1997 pay round gets under way. They also suggested they might prompt further interest rate cuts. *Greg McIvor, Stockholm*

■ Italy's retail sales index rose 6.3 per cent in August 1996, over the same month in 1995, and compares to a 2.5 per cent year-on-year rise in July 1996, the national statistics bureau Istat reported yesterday. *AP-DJ, Rome*

Italian vote boycott reflects party unease

Robert Graham reports on opposition reluctance to be excluded from all power for five years

Italy's opposition parties have invented a novel parliamentary tactic which risks undermining the role of parliament itself.

The tactic consists of refusing to vote on provisions of the 1997 budget to protest against the government's refusal to take on board their objections to the financial package. The rightwing opposition, headed by Mr Silvio Berlusconi, the former premier, opted to take this line last month when the budget was being debated in the chamber of deputies.

In 1994 Italy adopted the first-past-the-post system for electing 75 per cent of the seats with the aim of having a more vigorous parliamentary democracy. But all parties are still reluctant to accept they have headed towards an Anglo-Saxon style system in which the winner takes all and the opposition is excluded from any power for the five-year life of the legislature.

This reluctance explains why Mr Berlusconi and his allies have blown hot and cold about doing deals with the centre-left government over the past eight months.

At one level they want to have a shadow cabinet and force their policies on to the government agenda. But equally no one can digest the thought of being on the outside for five years and there is a permanent temptation to cut deals with a weak government to enjoy a slice of power on committees and in public institutions. The government itself suffers from the same ambivalence and is instinctively consensual towards the opposition.

Berlusconi (left) wants a grand coalition, D'Alema wants bipartisan agreements on issues of national importance

Since the start of the budget debate, the centre-left government has tried on several occasions to persuade the opposition to rethink its tactic of refusing to vote, which has also been adopted in the senate.

However, since last week the opposition has reaffirmed the decision to boycott budget discussion in the senate and the package will pass without problems, with the final vote due on December 19. The opposition has thus surrendered any chance of influencing the package, which is intended to put Italy's public finances on track to take part in the single European currency.

Not all those in the Berlusconi camp have been enthusiastic about this approach to parliamentary debate, especially the small centre parties linked to the defunct Christian Democrats.

Mr Berlusconi himself has on occasions hesitated, aware that boycotting such a vital piece of legislation as next year's budget creates an uncomfortable precedent in a mature democracy.

In the senate the government has an easy majority.

However, by taking no direct part in the debate, it has been easier to expose the contradictions that exist within the governing Olive Tree coalition.

Also, by disassociating itself from the 1997 budget, the opposition believes it will have greater ammunition when next year the financial package is proven inadequate to allow Italy to join the single currency.

The opposition parties seem uncertain whether this is a once-only tactic directed solely at the budget. They are currently debating whether to do a deal with the government over the running of the RAI state broadcasting network and a series of legislative programmes in return for Mr Berlusconi's television interests being protected.

The uncertainty reflects a broader confusion about the very role of the opposition in parliament. This is not as banal as it may sound, given Italy's post-war parliamentary history, which encouraged consensual power-sharing rather than opposition.

On the one hand, the system of proportional voting allowed a large number of small parties to proliferate, ensuring government was almost always by coalition. On the other, a real alternance in power was blocked by the effective veto placed on western Europe's largest communist party by the church and Nato.

Shortly, the role of the opposition will be put to the test over the vital question of constitutional reform. Parliament endorsed before the summer a special commission to draw up proposals for a thorough reform of the state apparatus.

The project will be stillborn without the support of a large segment of the opposition because of the big majority needed in parliament for changing any aspect of the constitution.

The opposition knows this and recognises it has a responsibility to carry out constitutional reforms. But opposition politicians still cannot reconcile themselves to the prospect of co-operating openly with the government on this and then opposing the government vehemently on other issues.

The idea of there being bipartisan issues of national interest has not yet taken root. Hence the only way round, according to Mr Berlusconi, is to form a grand coalition to govern Italy.

This idea is countered by Mr Massimo D'Alema, the leader of the Party of the Democratic Left (PDS) and the dominant partner in the government. He is pushing for a specific bipartisan agreement on constitutional reform which would probably involve a wider deal with Mr Berlusconi that would cover such issues as an amnesty for those under investigation for corruption.

This has surfaced again in recent days with an offer by Mr D'Alema to allow Mr Berlusconi a further six-month delay in implementing a court decision that threatens to remove one of his Mediaset's three TV channels and reduce the share of advertising. The trade-off would be Mr Berlusconi's backing for constitutional reform.

New role for sanctions-beater Sasol

S Africa's oil-from-coal concern leads way in chemicals industry revamp, writes **Motoko Rich**

The South African government *is turning to* one of the central economic pillars of the apartheid years in the hope it can help generate thousands of the jobs so desperately needed now by the new non-racial democracy.

In the most effective sanctions-beating operation of the years of isolation, the sophisticated reactors of the synthetic fuels producer Sasol turned solid carbon from the country's vast coal resources into refined oil.

Sasol was so symbolic of the apartheid state's resilience that in 1980 three of its plants were sabotaged in the African National Congress's most spectacular guerrilla strike ever.

Today, Sasol and the South African government hope that the coal and Sasol's unique process will provide the building blocks for a globally competitive chemicals industry.

Investors have shown their confidence in Sasol's prospects recently, pushing the share price up R25 ($5.36) in the past year to R55.25 yesterday. Foreign investors, now aggressively courted by the company, hold about 15 per cent.

But some of the local downstream companies *which depend on Sasol's raw* materials believe their efforts to grow and compete in chemicals markets outside South Africa are being stymied by what they believe is a protectionist attitude at the former apartheid monolith.

Sasol, which was set up by the government in 1950 as a strategic energy source, argues that the protection it once enjoyed, even after its privatisation in 1979, is being phased out by the end of the century. As it attempts to *raise its profile* as a global chemicals player, it argues that it is competitive pressures, not its protectionism, which is making life difficult for its downstream customers.

The South African cabinet approved plans late last year to phase out Sasol's annual R1.1bn government subsidy – designed to protect it against cheaper imported crude oil – by 1997. Although the decision will cost Sasol about R3.4bn by 2000, the group believes it will offset most of that loss with enlarged revenues from its chemicals business.

The process by which Sasol makes liquid fuel generates a range of *commodity* and speciality chemicals as *co-products, more than half* of which is left, unrecovered, in the group's fuel streams. "There is significant unexploited potential," said Mr Andre de Toit, a Sasol director in charge of the chemicals business.

For only marginally more than the cost of producing fuel, Sasol is able to extract chemicals from the fuel stream. Whereas fuel sells for about $200 a tonne, specialised chemicals can command as much as $1,000 a tonne on the open market.

> The hope is that the country's abundant coal and Sasol's unique process will provide the basis for a globally competitive sector

"By de-emphasising fuels and shifting towards chemicals Sasol will gain on margins," said one analyst.

The group hopes to derive 50 per cent of its operating income from chemicals by the end of the decade. In the year to June 1996, chemicals contributed 28 per cent of its R3.168m pre-tax and pre-interest profits.

About 180,000 South Africans *work in the chemicals* industry, which accounts for 5 per cent of gross domestic product. The Department of Trade and Industry, which has set up a task force to examine growth prospects for the sector, would like it to contribute about 8 per cent.

The task force is developing proposals for a number of measures which might benefit the industry, such as technical innovation, investment in capital equipment and training initiatives. It is also identifying a number of constraints on the industry, including disincentives to foreign investment, such as foreign exchange controls and high transport costs, which make it difficult for companies to compete as exporters outside Africa.

Although the task force has set 150,000 new jobs as a target, some observers believe constraints on the *industry's growth make that* figure much too optimistic. "My initial reaction is that 150,000 jobs sounds too high," said Mr Paul Carter, analyst at ING Barings in Johannesburg.

Downstream customers believe their ability to create jobs is severely hampered by Sasol's monopoly position. Mr Doug Dejager, chairman of Lenco Holdings, a plastics packaging company based in Cape Town, said: "When there were sanctions, a siege economy developed, and people tended to build their infrastructure based on the protection they received from the government. Now they still have a protectionist mentality."

He said raw material manufacturers – namely Sasol and Polifin, a chemicals company formed when Sasol and AECI, the Anglo-American subsidiary, merged their petrochemicals and plastics interests – were able to charge domestic customers higher prices than those charged to export customers. But transport costs and import tariffs still made it prohibitively expensive for downstream converters to purchase their raw materials *as imports*.

Sasol says global chemical producers in Europe and the US nearly all charge their local customers higher prices than are charged in the export market. In order to compete in markets outside South Africa, Sasol and other commodity suppliers must sell their chemicals at the prices being charged by other global exporters. But in order to make its margin targets, it must charge higher prices to its domestic customers.

"This is a normal economic feature of the international *petrochemicals market*," said Mr de Toit. "If we sold in the local market for the export parity price, we would go bust."

It will take some time for downstream converters to adjust. Dr Vince Lovel, executive director of Sentrachem, the chemicals manufacturer, believes it is partly a matter of scaling back expectations. "We have to limit our aspirations in chemicals and concentrate on those areas where we can compete. This means I cannot honestly say we have a great petrochemical future in this country, but we have a *good* chemical industry future."

Trauma of truth, Page 21

Israeli settlers killed 'because of homes plan'

By Judy Dempsey in Jerusalem

The Popular Front for the Liberation of Palestine (PFLP) yesterday claimed responsibility for the murder of *a Jewish settler and her* young son near the West Bank town of Ramallah on Wednesday evening.

The *PFLP* said the killings were in response to plans by the Israeli government to build Jewish settlements in the heart of east Jerusalem and expand settlements in the West Bank. It said it would confront "with all available means the Israeli occupation *forces and settlers*".

The announcement coincided with the killing of a Palestinian worker by an Israeli farmer in southern Israel.

The PFLP, based in Damascus and led by Mr George *Habash, is opposed* to the 1993 peace agreement signed between Israel and the Palestine Liberation *Organisation. It* has been responsible for attacks against Israeli troops in southern Lebanon and in Israel.

The Palestinian Authority, led by Mr Yassir Arafat, did not officially condemn the killings and Mr Arafat, who is in Gaza, yesterday remained silent when asked about them.

"We are asking Mr Arafat *to be consistent* in his condemnation of violence, his commitment to crack down on these terrorists and to disarm them," an Israeli government spokesman said.

Mr Benjamin Netanyahu, the prime minister, said he would ask the Palestinian Authority to hand over the men responsible for Wednesday's killings. But, so far, the authority has never *extradited anyone to* Israel, instead putting them on trial in its own courts.

What concerns the Israeli government, the Labour opposition and even those within the Palestinian Authority is that Mr Arafat is not adopting a tough enough stance against the *splinter* groups within and outside the PLO. One of the reasons is his fear of losing popularity among Palestinians at the expense of galvanising support for Hamas, the radical Islamic movement, and other groups.

It was only after the attacks earlier this year by suicide bombers on Israeli citizens that Mr Arafat started clamping down, having come under pressure from Mr Shimon Peres, the former Labour prime minister, to do so.

But that clampdown, combined with a tight control of the media backfired against Mr Arafat. His dwindling credibility was confirmed after he failed during the summer to muster support for a strike among Palestinians against the closures *imposed by Israel on the* West Bank and Gaza after the suicide bombings.

It was only when the Israeli government opened the tunnel in the old city of Jerusalem last September, against the backdrop of a virtual standstill in the peace process and the closures, that Mr Arafat could reassert his authority.

His call for demonstrations, which *escalated into* violence between Israeli and Palestinian police forces, unleashed months of resentment and frustration among Palestinians. It also restored the initiative to Mr Arafat.

The Israeli government is now waiting to see how the Palestinian Authority will respond to Wednesday's killings.

"We will not use the deaths as an excuse not to redeploy from Hebron," a government official said. "But we will not be threatened like this. We want to know where Arafat stands," he added, as much as the Palestinians want to know where the Israeli government stands on the peace process.

INTERNATIONAL NEWS DIGEST

Hutus desert refugee camp

Plans for the mass repatriation of 500,000 Rwandan Hutus living in north-west Tanzania appeared to have backfired yesterday as more than 300,000 refugees abandoned their camps rather than return home.

The UN High Commissioner for Refugees (UNHCR) said the refugees had poured out of six main camps in the Ngara region, heading east towards a forested game reserve, away from the border with Rwanda.

"It was extremely well planned and well orchestrated. They waited to receive their food rations, which they told us they wanted before going home, then they turned round *and headed east*," said *Mr Peter Kessler*, UNHCR spokesman. "They knew exactly what they were doing." A mass exodus from the Tanzanian camps, established after the Hutus fled the Rwanda Patriotic Front in 1994, had been widely expected *since* rebel fighting *in east* Zaire pushed 640,000 Hutu refugees back across the border. The Tanzanian government and UNHCR last week told the refugees it was clearly safe to return and they had until December 31 to leave.

But yesterday's departure was a testimony to the continuing power of the hardliners who co-ordinated the genocide of Rwanda's Tutsis. Determined not to be isolated, they have been telling refugees they risk death in Tutsi-*controlled Rwanda*. *Michela Wrong, Nairobi*

UN votes 14-1 for Annan

Ghana's Mr Kofi Annan yesterday won the backing of all security council members except France as next United Nations secretary-general.

Sir John Weston, UK delegate, called those 14 affirmative votes in the straw poll a "very encouraging" *and positive development. Some officials* went so far as to predict an early break in the deadlock that might even lead to Mr Annan's appointment after a further poll today. However, diplomats said they expected France to exact a price for dropping its veto. One possibility was that a French official might have to be named to succeed Mr Annan as head of UN peace-keeping operations. Additionally, France might seek the position for one of its nationals as head of personnel, a job being vacated by Mr Denis Halliday, of Ireland. *Michael Littlejohns, New York*

Ethiopia wins $2.5bn pledges

Donor *nations and institutions* have pledged $2.5bn towards Ethiopia's development strategy over the next three years, Mr Callisto Madavo, the World Bank's vice-president for Africa, said yesterday.

The Ethiopian *government had* asked donors, meeting this weekin Addis Ababa, for $2bn – project financing of more than $1.3bn and balance of payments support of not less than $600m.

"The fact that donors *pledged to give* Ethiopia more than it asked for indicated the vote of confidence the donor community has in Ethiopia," Mr Madavo said.

He said participants congratulated Ethiopia on its recent macroeconomic performance *and said they hoped* it would be sustained. *Reuter, Addis Ababa*

Australia joins Unido exodus

Australia is to follow the US and UK in quitting the United Nations Industrial Development Organisation (Unido), citing budgetary constraints and limited resources for aid.

The Australian government has told the Vienna-based agency assistance to developing countries can be provided more effectively through bilateral programmes and other multilateral institutions. *Ian Hamilton Fazey, Vienna*

US economy on steady growth path

By Gerard Baker
in Washington

A steep fall in retail sales and continuing weakness in core consumer price inflation in November indicated that demand in the US economy remains on a moderate growth path, according to figures published yesterday.

Retail sales fell by 0.4 per cent from a month earlier, the US Commerce Department said, largely as the result of a slump in new car sales. Overall retail trade recorded a seasonally adjusted total of $206.1bn in November, down from a revised $206.8bn the month before.

The October figure was revised upward, however, and the more reliable longer-term trend suggests consumer demand remains on a gentle upward path. In the three months to November, retail trade increased by 0.9 per cent from the previous three months, at an annual rate of 3.7 per cent (not adjusted for inflation).

Consumer prices rose by 0.3 per cent in November from a month earlier, according to the Labour Department, the third consecutive increase of that magnitude. But for the second straight month the bulk of the increase came from a sharp rise in energy prices, which rose by 1.2 per cent in November. The other usually volatile component, food prices, rose by 0.3 per cent last month.

Stripping out fuel and food, the core rate of inflation was just 0.2 per cent last month, unchanged from October.

In the year to November, prices rose by 3.3 per cent, but the core CPI increase in the same period was just 2.6 per cent.

The figures continued to indicate that US inflation remains firmly under control. The underlying picture suggests price pressures are probably even more dormant than depicted by the official figures.

Last week a Senate-appointed panel of economists reported that the consumer price index regularly overstates the true inflation rate by about 1.1 percentage points. On yesterday's figures that points to a "real" rate of core inflation comfortably below 2 per cent, extremely low by historical standards.

The US economy has now completed 5¼ years of sustained growth. In spite of an unemployment rate that has been pushed well below what economists have in the past regarded as its "natural" rate, there is no evidence of wage pressures forcing inflation higher.

With the economy continuing to grow at or around its long-term trend rate, the immediate outlook remains stable and few economists expect an increase in official interest rates when the Fed's policy-making committee meets next week.

Clinton defends CIA nominee

By Patti Waldmeir
in Washington

President Bill Clinton yesterday defended his nominee to head the Central Intelligence Agency, Mr Tony Lake, who has come under fire for improper stock holdings and his role in secret Iranian arms shipments to Bosnian Moslems.

Asked if Mr Lake's nomination was threatened, and whether he would "go to the mat" to defend the man who served as his national security adviser, the president said: "No and yes."

Three senior Republicans have this week questioned Mr Lake's nomination to the CIA, with Senator Pete Domenici of New Mexico saying the nominee faces "tough sailing" to secure the required Senate confirmation. Senator Arlen Specter, chairman of the Senate intelligence committee, has criticised Mr Lake for supporting a 1994 policy on Iranian arms shipments which kept both Congress and Mr James Woolsey, then CIA director, in the dark.

The nominee has also come under fire for failure to comply with an order to sell some $200,000 in energy stocks to avoid a conflict of interest. The White House has said Mr Clinton is satisfied that this was an innocent mistake. "We reviewed that and... we believe that is not a disqualification," Mr Clinton said yesterday. The White House said Mr Lake ordered his accountant to sell the stock, and did not realise this had not been done.

Corruption, mismanagement edge city towards bankruptcy

More vice than virtue in Miami

Two of Miami's less glamorous vices – corruption and mismanagement – have thrown the city into financial crisis. It is struggling to find a way to bridge a $68m budget shortfall. If it does not, it could run out of money by March.

"Miami has always operated on very narrow financial margins," said Mr John Incorvaia, Southeast region analyst at Moody's, the credit rating agency, which recently lowered the city's bond rating.

But this year, Miami's centenary, things took a turn for the worse. In August, criminal charges were filed against important city officials for theft, embezzlement and fraud uncovered in the FBI's "Operation Greenpalm."

The subsequent investigation of the city's finances revealed lax financial controls and mismanagement. Some $35m of pension fund bond proceeds had been used to cover the city's pension costs, according to Standard & Poor's, another rating agency.

Earlier this week, the state governor appointed a financial emergency board with powers to oversee the operations of the city, which has been given until January 2 to adopt a recovery plan. The board will then review the proposal before passing it to the governor for approval by February 1, the date when the city has to implement the plan.

The city commission met yesterday to discuss what measures to take, and another meeting is scheduled for December 23.

Miami's problems are not solely the result of a few corrupt officials. It faces, says Mr Incorvaia, "the same problems as most mature cities" – enormous infrastructure demands, but limited scope for raising revenue. The city of Miami is inhabited mainly by low-income immigrants and elderly people. The luxury apartment blocks filled by sun-seeking retirees with comfortable incomes fall outside the city limits.

The $68m budget gap represents 29 per cent of the city's expenditure for the fiscal year ending September 1997. Of the $68m total, more than $30m is a projected deficit for fiscal 1997 due to revenue shortfalls and expenditure overruns.

The shift of a city's economic base to the suburbs is not a new experience in the US. It brought New York to the brink of ruin 20 years ago, when the city defaulted on short-term debt. New York and Washington are still both struggling with the problem. Smaller towns in upstate New York such as Troy and Utica are also experiencing financial difficulties as a result of economic erosion.

Miami is a slightly different case. The wider Miami area has been thriving economically, and the restored Art Deco glory of Miami Beach is often cited as a symbol of urban recovery. The financial problems, along with the poverty of large parts of its population, within the city limits went largely undetected until corruption and mismanagement compounded the city's problems, bringing the crisis to a head.

Even with the financial emergency board biting at the heels of city officials, there are doubts about Miami's ability to agree on a plan of action. "The severity of the budget crisis, coupled with political resistance even to moderate revenue enhancement proposals, make it appear increasingly questionable that the city will be able to restore fiscal balance without some form of outside intervention," Moody's wrote earlier this month.

Similarly, Standard and Poor's "believes that the city has the capacity to address its fiscal crisis, but the willingness of city officials is highly questionable at this time."

One reason for this scepticism is that an attempt to boost revenues by increasing the fees charged for collecting garbage has so far failed. Without some sign that revenues will be increased, persuading unions to accept any cuts is likely to prove even more difficult.

So will the city teeter over the edge into bankruptcy, if a plan is not agreed? This seems unlikely. Under Florida's statutes the city cannot file for bankruptcy without the state governor's permission. Because city bankruptcy would have a detrimental impact on the state's credit – and therefore its ability to raise funds itself – the governor is likely to pursue other options.

One is for the state to take over the city's finances, but Governor Lawton Chiles has expressed reluctance to do so, and according to S&P, "it is not clear that the state has adequate authority to effect any necessary changes in order to assure timely payment of debt service."

So if the city fails to come up with a viable plan, the financial emergencies board is likely to impose one of its own. This might solve the immediate problem, though not the underlying causes. There is a more radical solution in the air: abolishing the city, and incorporating it into surrounding Dade County, with its much more affluent, and larger, population of 2m.

A local group of abolitionists say they have collected enough signatures to force a referendum on the issue. But in the city's centenary year, the Save our City lobby is also strong. "In political science," abolishing the city "would make a lot of sense, but in political reality it's not likely to happen," argues Mr Hyman Grossman, an S&P analyst. "Nobody wants to give up local control and the patronage that goes with it."

Tracy Corrigan

Restored Art Deco building in Miami Beach: much of the area's glitz lies outside Miami's city limits *Hasted Photo Agency*

Argentina bounces back from a short, sharp shock

Even the government is surprised at the strength of the recovery from the steep recession of last year, writes **David Pilling**

If in 1995 Argentina's economy confounded pessimists merely by surviving, this year it is raising eyebrows with the speed of its recovery.

Last year was a true test. After Mexico's devaluation, nearly a fifth of all deposits were pulled out of Argentina's banks in a few months – a run on the banking system of a greater magnitude than the US suffered during the entire Great Depression.

Argentina's currency board system, known locally as convertibility, technically precluded it acting as a lender of last resort, since the central bank's foreign reserves belonged not to the authorities but to holders of pesos.

Convertibility, however, proved more flexible than critics had thought. Authorities staved off collapse of the financial system by relaxing reserve requirements, establishing a privately funded deposit insurance scheme and encouraging bank mergers. This, plus a new $5bn emergency fund from international banks, has left the banking sector more solid and resistant to future shocks, says the former economy minister, Mr Roberto Alemann.

Similarly, the rigidities of Argentina's fixed exchange rate system, in place since 1991, meant it could not repair its current account deficit through devaluation. Instead, it took the route of deep recession, which stifled imports, diverted production abroad and increased productivity through deflation.

"We survived," says Mr Alemann. "It cost us 6 per cent of gross domestic product in one year. But it was short and sharp."

That accomplished, most economists predicted the battered economy would merely limp along. Recent data, however, shows production nearly back at 1994 highs, convincing the normally conservative economist, Mr Miguel Angel Broda, that GDP growth will surpass 3.5 per cent this year and reach a minimum 5 per cent in 1997.

According to Mr Alfonso Prat-Gay, an economist with JP Morgan in Buenos Aires, better signs of growth, low inflation, an improving trade balance and rising tax revenues mean current economic indicators "could hardly get any better".

Even the economy ministry is taken aback. "We knew there was a recovery under way, but we didn't know how strong it would be," says Mr Pablo Guidotti, treasury secretary.

Rising exports, which account for less than 10 per cent of GDP, do not explain the recovery. Neither does investment, which has grown about 8 per cent this year after plummeting 16.3 per cent in 1995.

Mr Luis Secco, an economist with the Broda consultancy, says the driving force is domestic consumption. Rising bank deposits, now at $52bn against a low in 1995 of about $38bn, are beginning to have their effect on the economy. In the first half of 1996, only 24 per cent of new deposits were lent on in new loans. That figure is now 66 per cent.

However, growth is unlikely to have a swift impact on unemployment, at 17.1 per cent Argentina's most critical problem. But those in employment no longer fear job loss and are starting to spend savings accumulated last year, says Ms Débora Giorgi, an economist with the Alpha group.

Mr Broda says a likely scenario for 1997 is growth of 5.4 per cent, with consumption, investment, exports and imports up respectively 4.2 per cent, 13.1 per cent, 7.3 per cent and 11.2 per cent. That could set a pattern for years to come, he says.

There are potential pitfalls. First, social tension could persuade the government to fiddle with the economic model. This might be tempting if its Peronist party does badly in mid-term parliamentary elections next October. President Carlos Menem, however, shows no sign of wishing to abandon any key element of reform.

Second is what Mr Broda calls Argentina's "addiction" to foreign capital. Public debt of $90bn in relation to GDP of $300bn is not high by international standards but the reluctance of Argentines to lend to the treasury means most borrowing occurs abroad. Next year, say Mr Broda, it will need financing of $16.6bn, assuming a fiscal deficit of $5.1bn – about $2bn above official estimates. Some $12bn must be raised externally.

International liquidity has been plentiful this year. But a sharp reversal of US interest rates or the bursting of Wall Street's stock market bubble could leave Argentina vulnerable.

Eventually, dependency on foreign capital will be mitigated by private pension fund savings, now accumulating $200m a month. But before domestic savings reach sufficient critical mass, attention will focus on Argentina's budget deficit, even though this is relatively low and falling.

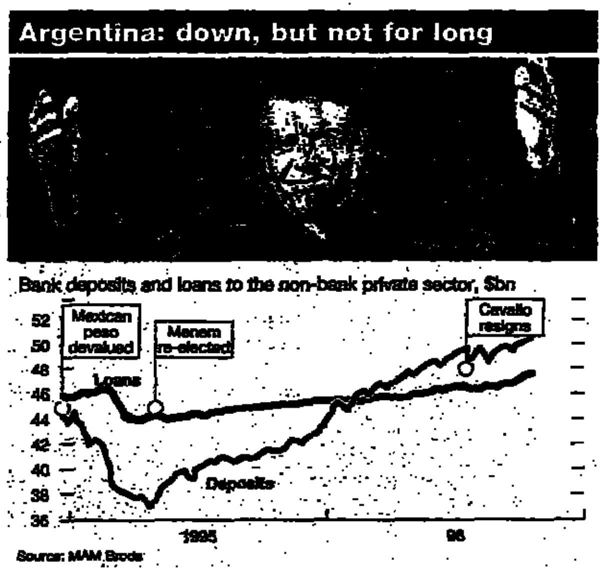
The government estimates that in 1997, the third successive year of nominal spending cuts, the deficit will drop to 1 per cent of GDP. Nevertheless, says Mr Broda, its mere existence has a disproportionate effect – because of Argentina's underdeveloped financial system – in keeping domestic interest rates high.

Third, and for some most menacing, is the possibility that Brazil's economy, propped up by around $200bn of short-term domestic debt, will spiral into crisis. A quarter of Argentina's exports go to Brazil, though much of that could easily find alternative markets.

Mr Broda says a Brazilian crisis would cost Argentina no more than half a point of GDP growth, but Mr Alemann is more concerned. "If Brazil collapsed like Mexico we would suffer, even though we would again be totally innocent," he says.

Even last July's sacking as economy minister of Mr Domingo Cavallo, once considered the only guarantee of stability, has not altered the picture, says Mr Secco. For him, that in itself is proof enough that Argentina's economic prospects rest on solid ground.

Argentina: down, but not for long



Source: MAM Broda

Unions step up pressure on government with threat of strike ahead of winter of discontent

Seoul warned on revising labour laws

By John Burton in Seoul

The South Korean government is coming under increasing pressure to postpone labour law revisions as unions threaten a warning strike today, in what could be a prelude to a winter of discontent.

The unions are angry about proposed changes that would make it easier to sack surplus workers and allow employers to hire part-time ones if their companies are hit by strikes.

Korea's two union confederations have warned they will conduct a general strike that could paralyse the country if the new labour laws are approved by the National Assembly this month.

Seoul promised to improve its labour laws to international standards by the end of this year as part of its entry into the Organisation for Economic Co-operation and Development, which it formally joined yesterday.

The new law would weaken job security rights in an attempt to improve labour market flexibility, but would gradually ease curbs on union activity as requested by the OECD and the International Labour Organisation. Korean unions claim the new law favours management more than labour.

The government announced this week it would submit the legislation to parliament this month, but some ruling party MPs have joined demands by the opposition that consideration of the law be postponed until early next year.

Opponents of the new law argued that the strikes that could result from quick parliamentary passage would further weaken the already sluggish economy. Some government MPs fear the ruling party could lose the presidential election next year if labour strife is widespread.

The illegal Korea Confederation of Trade Unions, which would receive official recognition under the new labour law, plans a four-hour warning strike today that could affect car and shipbuilding facilities, while temporarily closing big hospitals and the underground system in Seoul.

The official Federation of Korean Trade Unions, with its 1.1m members, will conduct partial warning strikes next week unless the labour law is postponed.

The government has said it will take tough action against labour leaders if a general strike is called once the law is passed.

The labour law revision is being criticised by employers, who fear worker militancy could increase once a ban on multiple unions in a workplace is lifted. They have asked for a further delay in introducing the measure, not scheduled to take effect until 2002.

Japanese investors look abroad again

With domestic interest rates and share prices still low, Japan is shifting increasing amounts into overseas markets, writes **Richard Lapper**

Japan is still far from being the "world's banker", a status many would say it held up to the end of 1990 before the collapse of Japanese share prices ended the boom of the late 1980s. But the mere fear of sales by big Japanese institutional investors was enough to trigger a sharp fall in US equity and bond markets earlier this week, underlining the importance of the recent build-up of outward capital flows from the country.

With domestic interest rates at record low levels and leading share prices still close to 50 per cent below their 1990 peak, institutions that manage Japan's savings and pension fund assets have been channelling increasing amounts into overseas markets.

During October net purchases of foreign bonds reached Y1,674bn ($14.8bn), the highest figure for more than a year. Japanese investments in UK government bonds – or gilts – increased from Y32.8bn in September to Y130.2bn in October.

Flows into Australian dollar bonds help explain the appreciation of the Australian dollar to its highest levels for six years.

"The capital flows we have seen represent a significant shift in the shape of Japanese portfolios," says Mr Keith Edmonds, senior analyst at Industrial Bank of Japan International in London. "The levels are starting to approach the peaks seen in the early 1990s."

Japanese life insurance companies and trust banks – the country's largest institutional investors – have this year increased their investments in foreign securities from 6.9 per cent to 8.1 per cent and from 8.3 per cent to 9.1 per cent of their total assets. The Y14,200bn invested by life companies in foreign stocks and bonds is – in nominal terms – the highest figure committed to overseas markets since 1990, when investments of Y15,300bn were equal to 17.8 per cent of total assets.

But there have also been significant levels of foreign buying by Japanese savers. Individuals – so-called "retail investors" – have been heavy buyers of yen-denominated bonds issued by foreign companies and governments. Rules governing the credit quality of issuers in the domestic Japanese market were relaxed earlier this year, allowing a number of emerging market borrowers to tap the so-called "samurai" market, domestic Japanese issues by non-residents.

They have also bought significant amounts of "dual currency" bonds – which pay a coupon (the interest) in yen and are redeemed in a foreign currency. The interest rate paid by these instruments is usually high enough to be attractive to individuals even though it is lower than that available on foreign currency bonds.

Moreover, with the yen declining against the dollar by some 40 per cent since its highs of mid-1995, dual currency bonds have also offered attractive foreign exchange gains. As a result of these factors the issuance of samurai bonds has surged, with the amount issued rising to more than Y3,500bn, more than double that for the whole of 1995.

Some analysts play down the importance of the trend, arguing that it is largely a product of short-term perceptions about interest rates and currencies and could quickly be reversed if the yen were to strengthen or short-term interest rates were to be increased.

Ms Mineko Sasaki-Smith, chief economist at CS First Boston in Tokyo, points out that in the late 1980s Japanese institutions were able to hedge their exposure to foreign currencies by the scale of their unrealised gains from investments in Japanese stocks. The fall in share prices has removed that cushion, increasing institutional aversion to foreign currency risk.

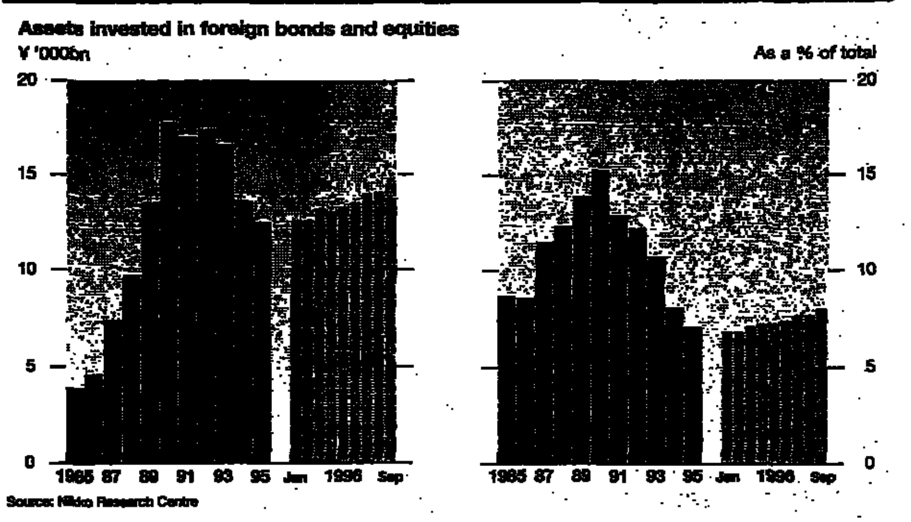
Nevertheless, others suggest that these flows could foreshadow heavier overseas involvement by Japanese institutions. They point in particular to the reform of the Japanese pension system and the need for institutions to invest abroad in order to achieve the returns necessary to meet commitments to future pensioners. Japan's population is ageing at a more rapid rate than any other advanced industrial economy and a combination of these demographic pressures and the feeble level of returns achieved by life insurers and trust banks over the last 10 years has brought about the need for reform.

This year rules stipulating that no more than 30 per cent of a pension fund can be invested in foreign securities have been relaxed and pension fund trustees have been given greater freedom to award management mandates to independent fund management companies, which are usually more likely to seek opportunities in foreign markets.

Mr Stuart Thomson, chief international economist at Nikko Securities in London, is particularly bullish about the impact of these changes.

"[The reforms] will prompt successive waves of pension fund money into foreign securities," argues Mr Thomson. "Japanese pension funds will become a major force in international capital markets." A recent survey by Nikko showed that pension funds are likely to increase their investments in foreign securities from 17 per cent to 24 per cent of total assets within the next few years.

Japanese Life Insurers: outward bound



Source: Nikko Research Centre

ASIA-PACIFIC NEWS DIGEST

Church opposes new Ramos term

The Philippines' powerful Roman Catholic church yesterday pledged to oppose proposals to allow President Fidel Ramos to stand for a second term, which at present is prohibited by the Philippine constitution.

Monsignor Hernando Coronel warned of a slide towards "totalitarianism, warlordism and political dynasties" if term limits were removed. An advocate of constitutional amendment dismissed the warning as "complete nonsense". The church played a key role in the fall of President Ferdinand Marcos when Manila Archbishop Cardinal Jaime Sin called on Filipinos to take to the streets to oppose the regime in 1986.

A lawyers' group yesterday also denounced attempts by the newly formed People's Initiative for Reform, Modernisation and Action to reform the constitution as a "mockery of the letter and spirit of a genuine people's initiative".

President Ramos has repeatedly refused to be drawn on whether he will contest a second election, referring to it as a "back burner" issue. Yesterday he said the debate was "dividing us at a time when we should be working together more closely". *Justin Marozzi, Manila*

Japan household spending dips

Japan's household spending in October remained weak, showing an inflation-adjusted 1.5 per cent fall from a year ago to an average Y314,080 ($2,780) on the heels of a 4.4 per cent drop in the previous month.

Spending by the household sector has been low since last summer, when a national food poisoning epidemic made consumers reluctant to dine out or buy fresh produce. In October, spending by salaried workers' families dropped a real 0.1 per cent, while that by self-employed workers' households declined 4.5 per cent, according to figures published by the government's Management and Co-ordination Agency yesterday.

The decline at non-salaried households reflects the difficult times self-employed people are having, according to the agency. The average monthly income for salaried workers' households edged up 0.4 per cent to Y487,970.

The agency attributed weak household spending mainly to the lingering effects of the food poisoning outbreak and less spending on education.

Spending on education plunged 18.9 per cent to Y14,438 per household partly because of an irregular rise in the previous year. In October 1995, spending jumped as households recovering from the Kobe earthquake were allowed to delay payment of school tuition fees until the latter half of the year. *Kyodo, Tokyo*

Australia jobless rate falls

Australia's unemployment rate dipped slightly to 8.5 per cent in November, down from 8.8 per cent in the previous month.

Employment increased by 24,400, though the drop in the employment figure was also helped by a decline in the "participation" rate – the number of people in the workforce or actively looking for jobs. The decline was sharper than most analysts had expected, with most predicting that only about 10,000 new jobs would be created.

Ms Amanda Vanstone, employment minister, said the figures reflected the new conservative government's shift in economic policy, but she conceded "much stronger growth was needed to bring the unemployment rate down substantially". *Nikki Tait, Sydney*

New law is expected to lead to US$2bn in extra premiums

Taiwan moves on road insurance

By Laura Tyson in Taipei

Taiwan's national legislature is today expected to pass a law making it compulsory for motorists to buy third-party liability insurance, in what is seen as an important step forward in the development of the domestic insurance industry.

The law is expected to result in up to US$2bn in extra premiums industry-wide.

While the mandatory segment will not be profitable for insurance companies as the rates will be fixed, the millions of new customers compelled to come into the market will increase the prospects for profitable "voluntary" business, according to industry executives.

Car owners will, for the first time, be required to buy liability insurance for second parties (passengers) and third parties (persons in another car or pedestrians). They will also be required to buy insurance against the uninsured driver.

Motorcycle owners will be required to buy liability insurance for the first time. Previously, they were not required to have any cover at all.

Under existing laws, victims were able to claim T$600,000 ($21,800) per person up to a maximum of T$1.2m for each accident, but they first had to prove responsibility. The new law provides for prompt no-fault compensation payments, with no limit for each accident. It also gives victims the right to sue directly for damages from the driver who caused the accident.

Taiwan has one of the highest accidental death rates in the world. A leading cause is the legion of residents who for reasons of convenience and affordability prefer to ride motorcycles, mostly without helmets.

On a small island with a population of 21m, there are an estimated 11m motorcycles, including some 2m which are unregistered, and nearly 5m cars, trucks and buses.

Under the new law, which is expected to be put into effect on July 1 1997, the basis for determining liability insurance premiums will be switched from the record of the car to the record of the driver, as is the practice in more highly industrialised countries.

"This law will benefit society and the victims of car accidents and their families," said Mr James Yeh, head of car insurance underwriting at Mingtai Fire & Marine, Taiwan's second largest non-life insurance company.

"It will also bring our country's insurance system into line with the advanced countries."

Ganges deal boosts relations

By Mark Nicholson in New Delhi

The prime ministers of India and Bangladesh yesterday signed what they called a "landmark" agreement to settle a 20-year dispute over sharing Ganges riverwater – one they also hailed as ushering in substantially improved relations between the neighbours.

Sheikh Hasina, the Bangladeshi leader, expressed particular "thanks and gratitude" to Indian officials for the 30-year treaty, which largely met Dhaka's long-standing need for improved flows of Ganges water from the Farakka dam in West Bengal during the "lean" post-monsoon season.

Bangladesh's complaint that India closed the Farakka barrages during the lean season has soured relations since the dam was built in 1975. India claimed it needed substantial flows to stop silting at Calcutta rendering the West Bengal port un-navigable.

A 1977 understanding on water-sharing which guaranteed Bangladesh flows of 34,000 cusecs (cubic metres a second) during the lean period lapsed in 1982. Bangladesh has since argued that diminished flow between January and May has threatened the livelihood of up to 30m farmers.

Indian officials said there had been no linkage between the agreement and other outstanding bilateral issues, including Indian calls for transit rights across Bangladesh to reach its remote north-east and complaints that insurgent groups use Bangladesh as a base. But Mr Salman Haider of India's foreign ministry said: "The agreement does open the door to further mutually beneficial arrangements."

The core of the 10-article treaty is an undertaking that India will assure Bangladesh a guaranteed flow of 35,000 cusecs of water from Farakka during the lean season months of March to May on a rotational basis. Each country will receive 35,000 cusecs in an alternating sequence of 10-day periods during the lean months.

The agreement assures each side of an equal flow of water provided the Ganges flow for these months is 70,000 cusecs or less, allowing for a special review committee in case of severe shortfalls. If the flow exceeds 70,000 cusecs, Bangladesh will receive an assured 35,000 cusecs. For flows over 75,000 cusecs, India will take 40,000 cusecs and Bangladesh the balance.

While Mr Haider said the agreement had "stretched both sides", Sheikh Hasina's strong expression of gratitude is a measure of the political as well as foreign policy victory it represents for her and her 10-month-old Awami League government. The opposition Bangladesh Nationalist party has long accused the League of being too close to India and argued it was better placed to win concessions from Delhi.

The water agreement appears to have placed Indo-Bangladeshi ties on their best footing since the early 1970s, when India's military intervention against the forces of then West Pakistan achieved Bangladesh's liberation, the 25th anniversary of which falls on Monday.

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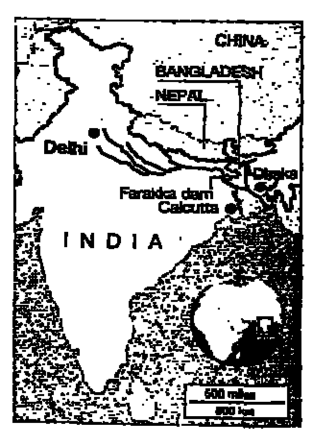

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NEWS: WORLD TRADE

WTO refuses to link trade measures to labour rights

By Frances Williams in Singapore

SINGAPORE December 1996

World trade ministers yesterday hammered out a compromise affirming their support for core labour standards but ruling out further work on the divisive issue in the WTO.

The ministers agreed to include a mention of labour rights in their final declaration today, but rejected the use of trade measures to enforce labour rights.

Low wage countries had argued that such measures could be used by richer ones for protectionist purposes.

Agreement came only after the US threatened to veto the entire declaration if labour standards were not mentioned. However, Washington was forced to give way on its demands for further work on labour standards in the WTO as the price of bringing Pakistan, India and some other hardline developing countries on board.

The inclusion of labour standards in the ministerial declaration, together with the conclusion of a deal on information technology, means that the US has achieved in large part its most coveted objectives for the WTO meeting.

They will be important trophies for Ms Charlene Barshefsky, acting US trade representative, to take home to Washington, where she will shortly face Congressional confirmation hearings on her nomination for the job.

However, developing countries also expressed their satisfaction, saying the declaration had killed once and for all the possibility of WTO involvement in labour issues. Mr Yeo Chow Tong, Singapore's trade minister, who is chairing the WTO meeting, is due to make a supporting statement today that labour standards are not on the WTO's agenda.

The declaration's wording was agreed "on the clear understanding, assurance and expectation that no work whatsoever will be done in the WTO on core labour standards", said one senior diplomat from a developing country.

The International Confederation of Free Trade Unions nevertheless said the accord was "a small but important step forward" and vowed to pursue its campaign to link trade and worker rights.

In the draft declaration, ministers renew their commitment to core labour standards but say the International Labour Organisation is the competent body to set these standards. They affirm support for the ILO's work, reject the use of labour standards for protectionist purposes and say the comparative advantage of low-wage countries "must in no way be put in question".

Ministers have also agreed to establish working groups to look at the links between trade and investment, and trade and competition policy, though with no commitment to future negotiations.

Acting US trade representative Charlene Barshefsky is briefed by her deputy Jeffrey Lang in Singapore yesterday

Taiwan to sell alcohol body

By Laura Tyson in Taipei

Taiwan said yesterday it would privatise its state alcohol and tobacco monopoly by the year 2000 and reform alcohol taxes as part of its bid to join the World Trade Organisation.

Taiwan, whose application to join the world trade body will be considered after that of China, also said it would join a global agreement to eliminate tariffs on information technology.

The cabinet has approved draft legislation setting out a new method of calculating tax on alcohol and tobacco and setting up a new system for regulating these products. The legislation will go to the national legislature early next year. Taiwan's trading partners have pressed the government to dismantle the monopoly system, which has been cited as a barrier to the island's admission to the WTO.

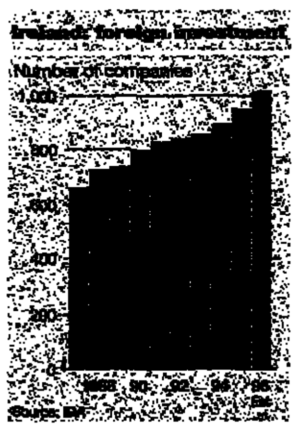
The Taiwan Tobacco and Wine Monopoly Bureau is initially to be transformed from an arm of the provincial government into a state-owned corporation. Within two years, shares will be sold until the monopoly is technically privatised and the government stake falls below 50 per cent.

Once the new regulatory system is in place, the finance ministry will be the agency in charge of the production and sale of alcohol and tobacco. If all goes smoothly, the new laws could take effect by July 1 1997 and the monopoly system will be abolished then. The draft bill forbids the sale of alcohol and tobacco through vending machines, and bans tobacco advertising. Under the draft laws, alcoholic drinks will be taxed on the percentage of alcohol content instead of by volume as they are now.

Private concerns will be allowed to make initially alcohol and later tobacco products once the legislation is passed.

IBM's $350m factory will be record Irish inward investment

By John Murray Brown in Dublin



Ireland yesterday secured its largest foreign investment when International Business Machines unveiled plans to build a $350m factory to make computer memory discs.

The announcement underlines Ireland's position as a favoured location for US investors, lured by a corporate tax rate of 10 per cent, plenty of labour, and access to the European Union.

The US already accounts for 40 per cent of inward investment in Ireland, which in turn attracts 24 per cent of all US start-ups in the European Union – only the UK attracts more.

IBM is to create 2,850 jobs at a campus facility in west Dublin. The investment is part of a $440m global expansion by IBM in five locations including a disc drive manufacturing facility in Thailand, and more investment in component manufacturing in San Jose, California.

Of the 90,000 jobs created by 1,000 foreign companies investing in Ireland, 45,000 are in information technology.

Last year, Ireland for the first time replaced the UK as the favourite site for US electronics hardware investment, securing 30 per cent of new projects in the EU against 19 per cent for the UK, according to a study by accountants KPMG.

Announcing yesterday's investment, the Irish prime minister, Mr John Bruton, stressed the importance for the local economy, pointing out the project would generate salaries of I£50m ($83m) and sub-contracted work of around I£50m for local companies. Officials at the Industrial Development Agency, the government investment promotion body, estimate that 80 per cent of the recruits will be graduates.

Mr Patrick Toole, senior vice president and IBM group executive, said IBM was creating a European integrated supply chain. The "platter" or memory disc is the brains for disc drives for the entire product range from personal computers to large mainframes. It will be shipped to other IBM assembly plants, including one in Hungary opened this year.

Mr Toole said IBM's "paramount" consideration was the need to meet the growth in demand for storage devices, which is expanding at 46 per cent a year.

"Development schedules are now measured in terms of months. Many of the products which the facility will be manufacturing have not yet been invented," he said.

Ireland's low tax regime has proved attractive in high growth research intensive sectors such as computers – allowing companies to reduce their global tax charge and thus boost earnings per share.

In 1995, the 1,000-odd foreign companies had sales of $13.5bn, but paid only $450m in tax.

The US Department of Commerce estimates that US companies earn a return on investment of 24.6 per cent – four times the EU average.

However, some economists point to the widespread use of transfer pricing, where companies inflate the value of their Irish operations to reduce global tax liabilities.

WORLD TRADE NEWS DIGEST

Indian airline buys Boeings

Jet Airways, the private Indian airline in which Kuwait Airways and Gulf Air hold 20 per cent shares, has signed a letter of intent to buy 10 Boeing 737 airliners in a $436m deal. It is the biggest fleet expansion of any of India's private airlines and the first outright purchase of new aircraft by a private Indian operator.

The deal, which must be approved by the Indian government, is for six Boeing 737-800s and four 737-400s. Boeing said the first 737-800 jets would be delivered in 1998, while deliveries of the 737-400s would begin next year. The new aircraft would almost double Jet's fleet of 12 leased Boeing 737 variants.

Mr Seddik Belyamani, Boeing vice president for international sales, described the Jet purchase as a "strategically important" inroad into the Indian market, for which he said Boeing was forecasting significant growth.

Jet is the largest private airline in India and among the few profitable ones to have emerged since civil aviation was deregulated. *Mark Nicholson, New Delhi*

IBM to buy Taiwan PCs

IBM is to buy up to $2bn worth of notebook and desktop personal computers from Acer of Taiwan. IBM said the deal with Acer would enable it to enjoy cost benefits, flexibility and opportunities to expand capacity in PC production.

Many of the world's leading PC manufacturers come to Taiwan to source components and fully assembled PCs. IBM bought $480m of components from Acer and other Taiwan companies in 1995, but this is the first time IBM has bought assembled PCs.

IBM, which sells $16bn of personal computer equipment a year, will begin marketing Acer-made computers in 1997. Acer's sales were $5.3bn for the first 10 months of this year, up 1.9 per cent from the same period a year earlier. The agreement follows a similar accord between IBM and Samsung, the South Korean electronics concern, under which IBM promised to buy up to $2bn worth of computer monitors over three years. *Laura Tyson, Taipei*

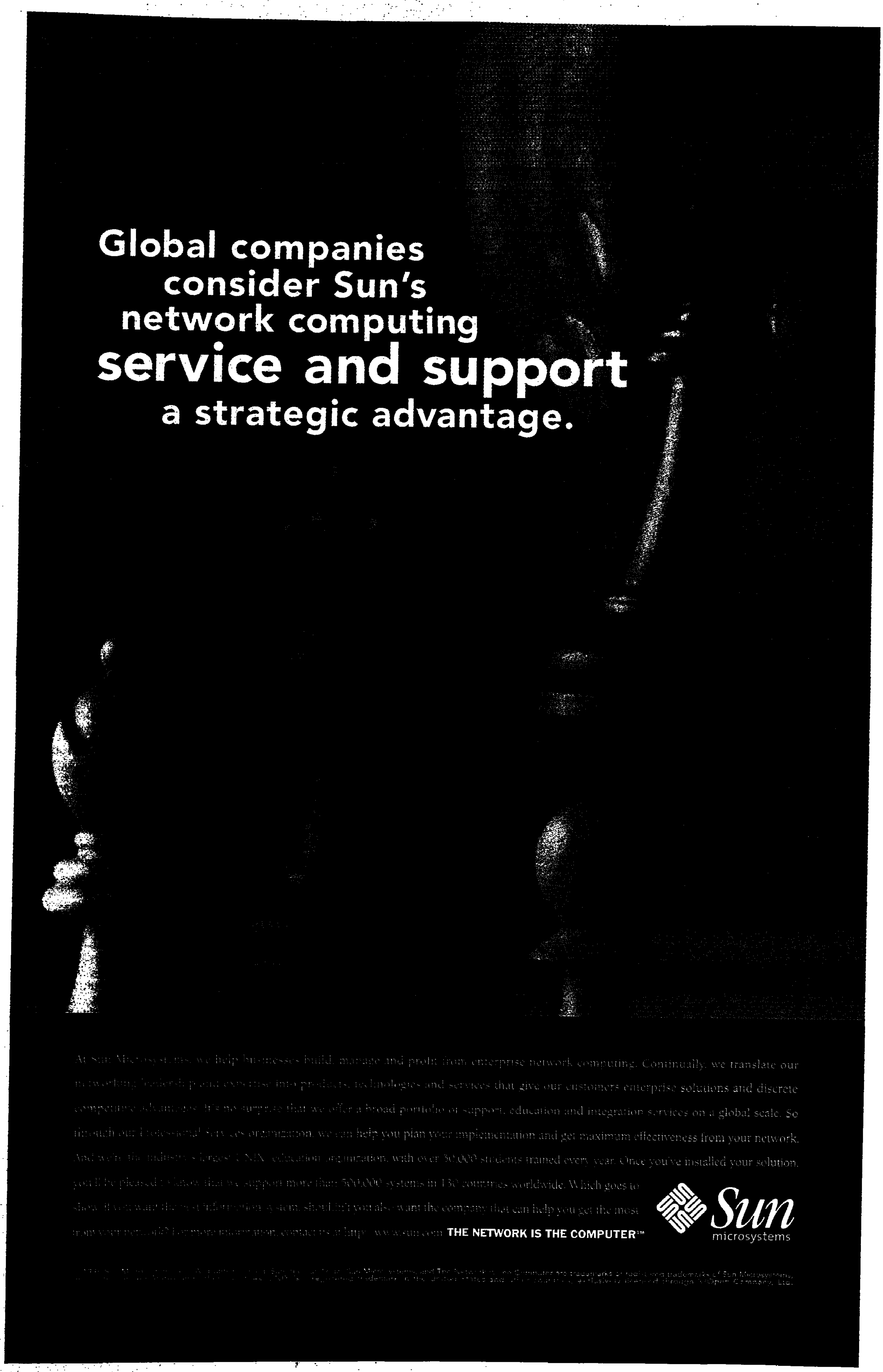
Greenpeace in crops protest

Greenpeace protesters yesterday chained themselves to a train and a ship in Germany carrying genetically modified crops from the US.

In Hamburg, a train carrying maize destined for the Czech Republic was held up by around 20 Greenpeace protesters, while in Baden-Württemberg, southern Germany, a freight ship carrying 250 tonnes of soya to Switzerland was taken over by people. Both incidents were ended by police and the train and ship continued on their journeys.

The import of genetically modified maize in to the European Union has yet to be approved by the Commission. A ruling is expected next Wednesday when the Commission is due to consider advice from three EU scientific committees. *Frederick Studemann, Berlin*

■ Audi, the subsidiary of Volkswagen of Germany, is conducting a feasibility study into the assembly of cars in Macedonia. The company said yesterday that it was in negotiations with both the Macedonian government and Asiba, its local importer, on a project to assemble cars from CKD (completely knocked down) kits supplied from Audi in Germany. *Kevin Done, East Europe Correspondent*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Disappointing result casts doubt on finance minister's goal of pre-election low price growth

Inflation remains above official target

By Graham Bowley, Economics Staff

Inflation remained above the government's target last month casting doubt on the hopes of Mr Kenneth Clarke, the chief finance minister, of achieving low price growth before the election.

The disappointing result, which came amid signs that shops are exploiting buoyant consumer demand to raise prices, came as manufacturers reported that their export orders had fallen to the lowest level for more than two years.

The Confederation of British Industry, the main employers' lobby, said its latest survey of manufacturing showed that the sharp rise in the pound has begun to choke off overseas demand.

But it said home orders remained buoyant and forecast that interest rates would have to rise by a quarter point to 6.25 per cent in the first quarter of next year as economic growth gathered pace. It said this would be followed by another quarter point rate rise in the second half of 1997.

Ms Kate Barker, CBI chief economist, said that "only a modest upward move in interest rates will be sufficient to contain inflation. And that does not mean that a rise in interest rates is required now."

The underlying rate of inflation was 3.3 per cent last month, unchanged from October, according to the Office for National Statistics. This leaves it some way above the government's target of 2.5 per cent or below.

The headline rate of inflation, which includes all items, was also unchanged in November at 2.7 per cent. The retail prices index rose 0.1 per cent between October and November to 153.9.

There were big rises in the prices of oil and petrol and leisure goods. The rise in clothing and footwear prices was the biggest for 23 years – suggesting shops have successfully managed to make autumn price increases stick.

The main offsetting downward pressures on inflation came from lower food prices as shops again offered discounts on foods, such as meat, and from cuts in fuel and light costs, which fell for the first time since March 1994.

The Treasury said that record low factory gate prices would soon begin to feed through to the high street, easing upward pressure on retail prices.

But the CBI reported that manufacturers' expectations of increased domestic goods prices picked up in December to the highest level since March.

The pound climbed slightly following the figures, gaining more than half a pfennig against the D-Mark to close at DM2.56.

The opposition Labour party said that the failure of the inflation rate to fall towards its target made "a mockery" of government claims that the sharp jump in October was temporary.

Polly Peck asset fight goes to European court

By Jim Kelly in London and John Barham in Ankara

London-based administrators of the collapsed Polly Peck empire are to go to the European Court of Human Rights in a bid to win shareholders access to assets in Turkey.

They will claim that the Turkish courts have violated the European Convention on Human Rights by upholding the rival claims of Mr Asil Nadir, the fugitive head of Polly Peck, in exile in the self-proclaimed Turkish Republic in North Cyprus.

The move will embarrass the Turkish government at a time when it is under intense international scrutiny over its human rights record. Mr Malcolm Rifkind, UK foreign secretary, is due to visit Cyprus next week.

Polly Peck collapsed in 1990 with debts of more than £1bn ($1.6bn). Mr Nadir fled to northern Cyprus in 1993 while facing charges of theft and false accounting involving £34m.

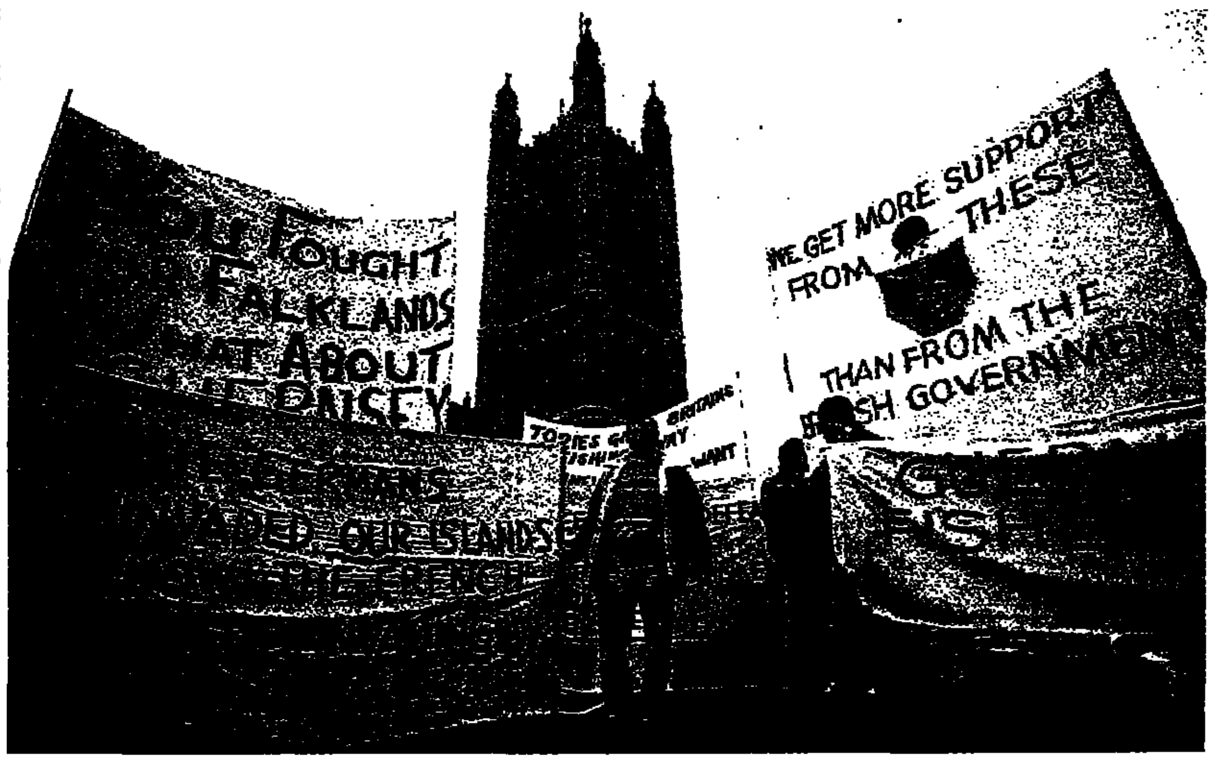
The court move marks a hardening of attitude on the part of administrators, accountants Coopers & Lybrand. "Our work in Turkey has been persistently thwarted by the systematic non-cooperation of the courts," said Mr Chris Barlow, lead administrator.

Mr Sermet Atacan, a Turkish foreign ministry spokesman, said: "I have no idea about this. I do not know if there is a problem or the nature of a problem."

The administrators also intend to go to the Court of Appeal in London to block claims by Greek Cypriot interests to assets realised in northern Cyprus. They claim rightful ownership going back to before partition of the island in 1974. The assets are understood to be worth in the region of $10m.

The application to the European Court in Strasbourg is on behalf of Voyager – a unit of Polly Peck International based on the Isle of Man. It claims Turkish courts have failed to recognise that it owns 80 per cent of AN Graphics – a Turkish printing company.

The administrators want the European court to order the Turkish courts to rehear relevant cases.



Brendan Corr

Guernsey trawlermen, in dispute with French rivals over fishing rights, protest at the Houses of Parliament. Mr Doug Henderson, of the opposition Labour party, has written to Mr Michael Howard, home secretary, requesting information

Share trading rules examined

By John Gapper, Banking Editor

The Securities and Investments Board is to examine new rules for the introduction of electronic share trading in the City to decide whether they are unfairly biased in favour of large investment banks.

The London Stock Exchange is to announce today that it will work further on some rules for the introduction of order-driven trading on October 20 next year before submitting them to a review by regulators, probably by the end of February.

The most contentious rules are those governing how soon a bank which risks capital to execute a large share trade must publish details, and the degree to which big trades must be executed using orders on electronic screens.

As part of this review, SIB is to consult the Office of Fair Trading, which has already expressed concern about rules allowing delays of up to 60 minutes in the publication of the details of big trades carried out by banks.

SIB has said it may allow exceptions to having complete transparency in the new market if liquidity would otherwise be damaged or trading driven offshore. However, the OFT wants to ensure that the rules are not anti-competitive.

The investment banks that currently act as market-makers in the London market want to preserve a set of privileges for the new regime of block trading that would take place alongside electronic order-driven trading on screens.

The rules have already faced criticism from Instinet, one of the largest agency brokers in the London market, on the grounds that they are unfairly weighted towards firms that risk capital, as opposed to agency brokers.

Separately, SIB yesterday confirmed new rules that will forbid banks from using derivatives contracts to gain profits for companies in circumstances where purchases of shares would constitute illegal trading on inside information.

The rules, drawn up to prevent companies gaining from the purchase of derivatives contracts in takeover bids, have been further tightened to cover contracts related to indices of shares as well as individual securities.

The change in the rules stem from a £1.2m bid made last year by the conglomerate Trafalgar House for Northern Electric, in which Trafalgar in effect placed a bet through "contracts for differences" that Northern's price would rise.

SIB's new guidelines, bringing the rules governing the purchase of futures and options in line with shares, bear on investment banks and regulated firms rather than companies because only they must comply with SIB principles.

The rules now say that purchases of derivatives based on share indices will be similarly restricted in cases where the security involved forms a substantial part of the index or a transaction may move the level of the index.

They say that a financial firm should not rely on a "bid facilitation" defence to enable a company to deal on the basis of inside information in indirect stakes where the dealing with provide only a cash benefit.

Forex scheme offers 'free draw'

By Clay Harris

UK residents are being offered the chance to win £5,000 ($8,250) in a "free draw" as part of the marketing effort for a scheme to speculate on the foreign exchange markets.

The direct mail solicitation comes from Anglo Scandinavian, which describes itself as being "in association with" Danish-based Scandinavian Forex and Futures Group. Anglo Scandinavian is a Spanish company, Mr David Rycott, managing director, said yesterday.

Its trading is run from Marbella, its back office is in Copenhagen and it has an administration office in Southwark, London. Danish company records list Mr Rycott as "management", director and owner of Scandinavian Forex.

Entry to the £5,000 draw is offered as an incentive to request a brochure. Mr Rycott said: "We don't speak to anyone unless they've applied to us, so there's no cold-calling." He confirmed that Anglo Scandinavian had UK customers.

The group also markets its currency investments in Scandinavia and Spain.

Anglo Scandinavian is not authorised by UK regulators, although they are aware of its marketing effort.

Under an "overseas persons exemption", its promotional material has been approved by Alexanders, an accountancy firm in Reigate, Surrey, as complying with the Financial Services Act.

Scandinavian Forex has applied for authorisation by Finanstilsynet, the Danish financial regulator. If approved, it would receive a "passport" to operate throughout the European Union under the EU's Investment Services Directive.

If the application is not successful, Mr Rycott said, "we have arrangements with members of authorised firms" in several countries, including the UK, to take over clients' business.

In May, Scandinavian Forex withdrew an application to the UK's Securities and Futures Authority for authorisation to offer "rolling spot" foreign exchange investments - rolled-over forward contracts of seven days or less.

The small print in Anglo Scandinavian's brochure states: "The rewards are great exactly because the risks are, and you can lose money as quickly as you can make it." It also says the UK's investors' compensation scheme does not apply.

Mr Rycott was a director of DPR Futures, a futures and options trading company wound up in 1988 by the Securities and Investments Board, the UK securities watchdog.

Freight operators warn of a terminal problem

The rush to develop rail links for the Channel tunnel market may result in an imbalance between regions

Developers and municipal authorities in the UK are scrambling to complete rail terminals which, they hope, will link their projects and their regions to the growing market for international rail freight through the Channel tunnel between England and France.

But developments are unco-ordinated and threaten to leave some areas with too many terminals and others without good rail freight links to mainland Europe.

Some areas, such as the West Midlands, could find themselves with a glut of terminal space while south Wales, London and south-east England may find themselves short.

Early forecasts suggested the opening of the tunnel would increase cross-Channel freight shipments from 2m tonnes a year to 6.5m tonnes within two years. Growth has been slower than this but there are still 160 long distance freight trains passing through the tunnel each week.

In the run-up to privatisation, Railfreight Distribution – the international freight arm of British Rail, the state operator – drew up plans for a network of nine terminals around the country. It spent £450m ($738m) improving facilities but financial pressures, the speed of privatisation and a re-assessment of traffic needs meant only six were completed.

Some, such as Mossend, on the outskirts of the Scottish city of Glasgow, were planned on a generous scale with space for industrial and retail buildings which developers say are needed to justify the rail investment. Mossend covers 260ha and has attracted an investment from Chung Hwa Picture Tubes, a Taiwanese company which plans to use rail for shipping products around Europe.

But others – including Willesden in London and Landor Street in Birmingham, the second largest city in England – are on cramped, inner city sites with limited scope for expansion.

"The time it takes to get planning permission for greenfield projects meant we had to develop existing railway sites," said Railfreight Distribution.

A feature of the new developments is their combination of rail freight handling facilities and conventional property development.

"It is difficult for a pure rail terminal to be viable on its own so we put together a freight village which operates as a logistics hub," says Mr David Baker of Baker Rose, a project consultancy.

Daventry rail freight terminal in the English midlands, a 145ha greenfield site between the main west coast rail line and the M1 motorway, is typical.

Its focus is a railport, with five reception sidings and the capacity to handle 10 Channel tunnel freight trains a day. Rail lines run into five of the buildings on the site but most of the area consists of conventional industrial space which can use road or rail links.

But there are still a number of terminals which, in spite of considerable investments, have limited scope for expansion.

"The established terminals are often in entirely the wrong place, surrounded by housing," said Mr Chris Nichols, secretary of the Rail Freight Group, which represents freight users.

Mr Julian Worth, business development manager at English Welsh & Scottish Railway, the US-owned freight group, says the situation in London and south-east England is a particular concern. He identifies a need for four terminals, two outside the M25 orbital motorway around London and two inside.

The rail freight industry pinpoints two problems facing the development of new terminals: the failure by Railtrack – the private company which controls track, stations and signalling – to retain disused freight depots for future terminal use, a charge denied by the company, and the government's parsimony with rail freight grants. The conditions for obtaining grants are to be eased but it is unclearwhat relief this will give.

A failure to develop a proper terminal network would deny rail freight the opportunity to become part of the increasingly sophisticated logistical schemes of big manufacturers and retailers. It would also mean that many freight shipments going by road.

Charles Batchelor

UK NEWS DIGEST

Struggle for millennium plan

Mr Michael Heseltine, the deputy prime minister, was last night struggling to produce a last ditch business plan for the millennium exhibition in Greenwich, south-east London, that would meet serious concerns raised by the opposition Labour party. As Labour continued to express fears that it could end up bailing out the exhibition if it wins the next election, Mr Jack Cunningham, the party's heritage spokesman, set out a new plan which could save the exhibition.

The Millennium Commission, the body managing the event, issued a statement that it was "now finalising the means by which the exhibition will be delivered within an acceptable budget".

Potential sponsors of the £700m ($1.15bn) exhibition – such as British Telecommunications and British Airways – have insisted they are not prepared to back the project unless Labour gives a commitment to underwrite it. Labour's concern over the viability of the budget had been triggered by a confidential risk assessment of the exhibition's business plan, it emerged yesterday. The assessment, drawn up by Towers Perrin, corporate risk analysts, showed the exhibition's business plan needed to be supplemented by a "recommended level of contingency" of £222m to be viable. Under Mr Cunningham's plan, the assets of the Millennium Commission in the year 2000 would be used as collateral to borrow additional money from banks. *James Blitz*

■ RESIGNATION

Ex-minister still has election role

Mr David Willetts, who resigned from the government this week, will keep his place on many of the governing Conservative party's main committees planning strategy for the next general election. In a sign that the party is determined to resurrect Mr Willetts' career as quickly as possible, the 40-year old MP will be consulted by Mr John Major, the prime minister, over the writing of the Conservative manifesto. The resignation of Mr Willetts, from his position of paymaster general, followed a damning judgment from a House of Commons committee over evidence he gave to them last month. But a senior cabinet minister admitted that divisions among Conservatives were the worst for nearly 150 years. *James Blitz*

■ PRIVATISATION

Launch of lobbying group delayed

Plans to set up a lobbying group to boost the image of privatised industries were yesterday shelved until after the general election, amid fears from some company executives that the scheme would antagonise the opposition Labour party. Labour believes the group was designed as a rallying point for opposition to its proposed windfall tax. The scheme has received enthusiastic backing from Mr Michael Heseltine, the deputy prime minister.

Many privatised companies turned down invitations to attend yesterday's opening meeting of the proposed new group, fearing retribution from an incoming Labour government. *George Parker*

■ TRAINING

Payments 'should go to students'

The opposition Labour party's proposed educational allowance for 16 to 18 year olds should be paid to the student not the parents, according to the Institute of Fiscal Studies, the think-tank. The conclusion, published yesterday, comes from a study of an Australian scheme launched in 1987 which has had some success in ensuring students from relatively deprived backgrounds stay on at school. The Australian scheme, however, relies heavily on the idea that the incentive to stay on is more powerful if the cash is paid to the student rather than the parent. The IFS study argues that giving students the cash would create a more level playing-field than if it were given to the parents.

● Labour is examining the possibility of introducing tax relief for small and medium-sized companies as a way of encouraging them to train their employees under the Investors in People scheme. The party believes small and medium-sized enterprises are discouraged from joining in the government-run Investors in People scheme because of the cost burdens. *Nicholas Timmins*

■ EMPLOYMENT

Government unveils job schemes

Mrs Gillian Shephard, the education and employment secretary, yesterday announced plans for two government-funded schemes to help up to 50,000 of the long-term unemployed get back into work. Pilot projects will be launched next spring in four cities under the new Contract for Work scheme in which private-sector contracting companies are to be asked to place 6,000 long-term jobless in work. The companies have until mid-February to tender for the work, which will include extended job placement and mentoring. A further 6,000 long-term jobless will be placed on programmes administered by the state employment service. The pilot schemes will run for 12 months. *Robert Taylor*

■ TAXATION

Labour seizes Treasury figures

The opposition Labour party yesterday renewed its assault on the government's taxation record, seizing on Treasury figures which show that the tax burden on the typical family has risen significantly since the last election. The figures show that the proportion of an average family's income absorbed by tax will rise to 35.1 per cent following last month's Budget, compared with 32.7 per cent in 1992-93. *David Wighton*

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COMPANIES & MARKETS
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IN BRIEF

Asian paper mills set to pose threat

The expanding capacity of Asian paper mills could make them a disruptive force in world pulp and paper markets over the next few years. Experts predict that the capacity of new mills in Indonesia, South Korea, Thailand and other Asian countries will significantly outstrip rising demand in the region, becoming a net exporter of paper and newsprint by 2000. Page 32

Buoyant demand lifts Harvey Nichols

The cost of the new Harvey Nichols department store in Leeds in the UK, which opened for business in October, was revealed as £9m ($14.76m) as the upmarket retailer announced a 35 per cent rise in half-year pre-tax profits to £5.51m. Sales increased 16 per cent to £49.2m with nearly all the revenues generated from the group's one other store in Knightsbridge, London. Page 28

Coca-Cola buys into Russian bottlers

Coca-Cola, the US soft drinks company, is to take a minority stake in two Russian bottling plants belonging to the Cypriot-owned Leventis group. The move will cement the position of Leventis as one of the US company's half-dozen "anchor bottlers" around the world. Page 24

Wickes hopes issue will end uncertainty

Wickes, the troubled DIY retailer, yesterday ended almost six months of uncertainty over its future by unveiling a deeply-discounted £53.2m ($87.24m) rights issue and capital reconstruction to restore its balance sheet. Investors will be offered one new share at 150p for every 10 held. Page 27

Nursing group turns to securitisation

A UK residential nursing and healthcare company raised £80m ($131m) by securitising its income and assets, signalling growing European interest in this innovative financial technique. Craegmoor Group, the only non-publicly quoted company among the UK's top 10 providers of long-term care, will pledge its revenues and assets to a specialist financing subsidiary, which has issued the bonds and will use the income to pay the interest. Page 27

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			**Falls**		
Rises			ATS Auto Tool	23.75	- 1.0
MAN Pref	314.5	+ 8.5	Dominion Txl	7.0	- 1.05
Schwabach Lab	385	+ 27	Exertion Sys	32.5	- 1.9
Falls			**PARIS (FFr)**		
Allianz	1108	- 27	**Rises**		
BMW Pref	723	- 7	Cap Gemini	263.5	+ 8.5
BLW	81	- 4.6	Club Med	343.1	+ 8.1
Neckarb	493.5	- 13	Labinal	981	+ 21
NEW YORK ($)			**Falls**		
Rises			Accor	625	- 7
Allergan	35¼	+ 2	Havas	338.1	- 10.6
WC (Intel)	35¼	+ 2¾	Bostil	738	- 34
MCI Corp	40⅝	+ 3½	**TOKYO (Yen)**		
Falls			**Rises**		
Limited	39⅝	- 5	Kikkoman	810	+ 19
Toreaco	43⅝	- 5⅝	Tosi	858	+ 19
Trilexa	78⅛	- 3	**Falls**		
LONDON (Pence)			Daikaen	614	- 26
Rises			Daitoa	697	- 28
Stockpile	742½	+ 37½	Odakyu	725	- 49
Protean	138½	+ 15	Yashiba Pilot	820	- 74
Vocalis	97½	+ 10	**BANGKOK (Baht)**		
Falls			**Rises**		
Superdrug Brit	97½	- 14	Thai PBC	82.0	+ 7.0
Sr Homes	100	- 18½	Thailand Fd	28.0	+ 2.0
Jones Stroud	395	- 30	Thanakit Co	47.25	+ 4.25
TORONTO (C$)			**Falls**		
Rises			Ayhn Sea Fd	42.5	- 4.5
Champ Pd Mech	6.0	+ 0.8	CiO Emballe	24.0	- 5.0
Drecs Engy A	86.5	+ 2.0	Muaad Fund	145.0	- 11.0
Minnova Res	8.0	+ 0.75			

Hong Kong unavailable. New York and Toronto prices at 12.30pm.

BankAmerica to face shake-up

Third largest US bank will incur $280m charge for restructuring

By John Authers in New York

BankAmerica, the third largest US bank, yesterday announced it would be taking a pre-tax charge of $280m this quarter to pay for a widespread restructuring which will involve laying off 4 per cent of its workforce.

The changes are intended to move the bank's focus away from its traditional branch network towards more modern methods of retail distribution, such as automated teller machines, telephone banking and the internet.

The bank is also repositioning its international operations, with fresh emphasis on emerging markets in eastern Europe, and a different product mix in Asia.

The changes reflect a growing trend for banks to focus on their core competencies and take steep restructuring charges if necessary.

Last month KeyCorp, the Cleveland-based bank, announced a $100m charge and a 10 per cent reduction in its workforce.

The move was part of its branch network rationalisation.

Next year BankAmerica will close about 120 of its 1,017 Californian branches, at a cost of about $100m.

It also plans to open an 200 outlets in shopping centres, as part of the growing trend towards "supermarket banking".

It already has about 1,400 retail outlets in the state, as well as 3,800 automated teller machines.

Mr David Coulter, chief executive, estimates that 70 per cent of "traditional branch transactions" are now carried out by customers outside branches.

The bank is also investing in online banking, although he said this did not yet account for a large share of its business.

Mr Coulter predicted the charge would result in a drop of $165m in after-tax income for this quarter, but that this would be recovered in cost savings by the end of 1998.

BankAmerica has surprised many analysts by not making any significant acquisitions during the wave of consolidation that has taken place in the US commercial banking industry over the last few years.

It now faces direct competition across its franchise from Wells Fargo, the other large San Francisco-based bank, which bought Los Angeles-based First Interstate this year in a fierce hostile takeover.

About $130m of the charge will cover wholesale banking. The changes will include expanding in eastern Europe through a "securities-led expansion" and stepping up capital markets operations in Tokyo.

BankAmerica's shares dropped by $1⅝ to $95⅝ in early trading. However, the charge came as no great surprise, as it fits with the bank's well-advertised strategy of seeking to improve shareholder value through cost cuts.

The fall in its share price was broadly in line with those elsewhere in the financial sector.

Electronics group confirms flat earnings forecast

Siemens to shed further 6,000 jobs in Germany

By Wolfgang Münchau in Munich

Siemens, the German electronics group, is to cut a further 6,000 jobs in its German operations over the next year in an effort to improve efficiency and profitability.

The company also reaffirmed an earlier forecast of no further profits growth in the current financial year, which ends in September 1997. The forecast, made last month, led to a sharp fall in the share price.

Mr Heinrich von Pierer, chairman, said at the annual news conference yesterday that Siemens would hit its profitability targets but progress would be uneven.

The company reported in November that net profits had gone up 20 per cent to DM2.49bn ($1.59bn) from DM2.08bn on turnover of DM94.2bn during the last financial year to end-September.

"Apparently the fact that we have a medium-term goal of a 15 per cent return on equity led many to expect that we could now increase profits in the same magnitude every year – as in the last two years – in a simple linear progression. That is unrealistic," Mr von Pierer said.

He said the share price fall in early November of roughly 10 per cent "was nothing but a huge disappointment for us". Yesterday, the shares fell further, ending 65 pfennigs lower at DM72.55.

The flat earnings for the current financial year stem from the cyclical downturn in the semiconductor business and a downturn in the German economy.

Mr von Pierer underlined the company's continued commitment to its semiconductor plant in Newcastle. He said both phases of the project would go ahead as planned, but conceded that Siemens might slow the rate at which it builds capacity.

In the face of growing criticism from investors about the company's earnings performance, Mr von Pierer indicated that he intended to follow current strategy, but might accelerate productivity and disposal of non-core activities.

In the last financial year, Siemens increased productivity by about 8.5 per cent, yielding efficiency gains of roughly DM8bn. But most of this – DM6.5bn – was lost through price cuts.

The loss of 6,000 jobs in Germany will match cuts in the previous financial year. Mr von Pierer said most of the cuts would come in the medical technology and plant technology divisions and at Siemens Nixdorf Informations system, the computer unit.

Over the past three years, Siemens has cut its German staff by about 30,000 to 203,000. Mr von Pierer predicted that in two years Siemens would employ more staff abroad than in Germany. It currently employs 176,000 outside the country.

Siemens also announced plans yesterday to create a business unit, Siemens Financial Services, to group its financing and financial advisory services interests.

The new unit is scheduled to start in October.

Chairman Heinrich von Pierer yesterday: most of the job cuts will come in the medical technology and plant technology divisions and at Siemens computer unit, he said Picture: Reuter

Israel Electric to raise $600m in bonds issue

By Judy Dempsey in Jerusalem and Conner Middelmann in London

Israel Electric Corporation, the state-owned electricity company, yesterday issued $600m of bonds – the first time an Israeli company has tapped the international debt market.

The issue, which was substantially oversubscribed, follows the $200m eurobond debut by the state of Israel. Israel Electric had originally planned to raise $400m through the offering but the issue was increased because of strong US investor demand.

The company is seeking funding for its $8bn, eight-year, investment programme designed to upgrade and modernise the grid system and power plants. The company needs to expand its plant to cope with Israel's population growth – increasing at the rate of 2.2 per cent a year.

Israel Electric's own revenues have risen by a real 7.2 per cent over the past few years. Last year it had sales of $2.2bn. Its assets total $10bn.

Israel Electric has the same credit ratings as the government – A3 with Moody's and A- with Standard & Poor's, but its bonds are not guaranteed by the state.

Although the company has issued bonds on the Tel Aviv stock exchange, trading there is too small to raise the required capital. In addition, Israel Electric has reached a ceiling on borrowing from Israeli banks.

The issue was split into three tranches: $350m of 10-year bonds paying a coupon of 7.25 per cent and priced to yield 91 basis points (hundredths of a percentage point) above comparable US Treasury bills; $125m of 30-year bonds paying a 7.875 per cent coupon and yielding 125 basis points over Treasuries; and $125m of 100-year bonds with an 8.10 per cent coupon yielding 145 basis points over Treasuries.

Lehman Brothers acted as bookrunner – or lead manager – with Salomon Brothers as joint lead manager on the 10-year and 30-year portions.

According to Lehman Brothers, the issue was placed largely with US investment institutions, such as pension funds and insurance companies, which have a healthy appetite for higher yielding long dated assets that match their liabilities.

The strong demand caused the yield spreads to tighten soon after the launch yesterday. The 10-year spread narrowed to 88 basis points, the 30-year gap tightened to 122, and the 100-year yield premium fell to 143 basis points.

The $200m issue of five-year Israeli state eurobonds yields about 48 basis points over US Treasuries.

Dickson Concepts reports five-fold increase

By John Ridding in Hong Kong

Dickson Concepts, the Hong Kong luxury retailer, yesterday announced a five-fold increase in interim net profits to HK$833m (US$107.7m) as a solid underlying performance was boosted by exceptionals.

A gain of HK$653m was booked from the sale of a stake in Harvey Nichols, the upmarket UK retailer spun off in April. Dickson Concepts retains a controlling stake in the group, which recorded pre-tax profits of HK$66.5m for the period, a rise of 35 per cent.

The listing of Harvey Nichols is part of a broader restructuring of the group. The Hong Kong company recently completed the flotation of its S.T. Dupont arm, which makes luxury goods, notably pens and lighters. The listing will bring an exceptional profit of about HK$330m for the full year, according to the group.

Dickson Concepts is also considering a bid for Barney's, the New York-based department store company. The Hong Kong group is proceeding with due diligence and could make an offer by early next year, say analysts.

Stripping out exceptional items, the company recorded operating profits of HK$273.8m, a rise of 20.1 per cent. Turnover rose 25 per cent to HK$2.27bn in the first half. Dickson Concepts predicted that the double-digit growth rate should be maintained for the full year.

The group, headed by Mr Dickson Poon, said its strong recurring income base and its net cash position of HK$1.3bn placed it in a strong position to take advantage of investment opportunities. They also laid the basis for strong profits growth over coming years.

The group's operations in China remained profitable during the period. However, Dickson Concepts warned against expectations of any significant returns in the near-term, citing the weakness of consumer spending on the mainland.

Group earnings per share rose 13 per cent to 70.35 cents. An interim dividend of 30 cents per share and a special dividend of 6 cents per share were declared, marking a total increase of 20 per cent.

Harvey Nichols result, Page 28

Confusion surrounds stakes in Indonesian gold deposit

By Robert Gibbens in Montreal and Bernard Simon in London

Talks on future ownership of the rich Busang gold deposit in Indonesia were bogged down yesterday amid conflicting claims and accusations.

Bre-X Minerals, a small Calgary-based exploration company which controls exploration licences to the property, has been under pressure from the Indonesian government to turn over the bulk of its stake to Barrick Gold, the international mining group.

However, Mr David Walsh, Bre-X's chief executive, said that Indonesia "appears to be seriously reconsidering its earlier decision compelling Bre-X into a partnership with Barrick".

Mr Walsh said Bre-X had been in talks with several other companies, including US-based Newmont Gold and Canada's Placer Dome.

The Indonesian authorities had appeared to increase the pressure on Bre-X to strike a deal with Barrick, saying it had cancelled Bre-X's application for contracts of work required before mine construction can start.

According to reports from Jakarta, Mr Umar Said, the mines ministry's secretary-general, had said the government was investigating whether Bre-X had falsely claimed ownership of Busang II and Busang III to North American regulatory authorities.

Busang, located in east Kalimantan, is estimated to contain 57m ounces of gold, possibly 100m. The property is expected to be developed into one of the world's biggest gold mines about the turn of the century. Construction will cost an estimated C$1bn-C$1.5bn ($735m-$1.1bn).

Barrick said it was still negotiating with Bre-X. Both said last week they had reached broad agreement, but some issues were unresolved.

Under the Indonesian proposal, Bre-X, which owns 80-90 per cent of the three zones of the Busang property, would turn over three-quarters of its interest to Barrick. The government has suggested it be given a 10 per cent stake.

Bre-X yesterday insisted that its exploration permits and mining licence applications "remain in good standing".

Trading in Bre-X shares reopened at about C$20, down 65 cents from Tuesday's close. Its shares were suspended on Wednesday following reports that the Indonesian government had refused to grant the contracts of work.

The Indonesian move has caused consternation among foreign investors in Indonesia and Bre-X shareholders.

Bre-X had indicated a willingness to sell a large chunk of its stake in Busang to an international mining group with the expertise and financial muscle to develop the property. Shareholders had hoped to secure the best possible price through a bidding process.

AT&T awarded Hoechst contract

By Nicholas Denton

Hoechst, the German chemicals company, yesterday became one of the few multinational companies to acknowledge publicly it had chosen a foreign company as the primary provider of telecoms services for its global operations.

Its choice of AT&T of the US is a setback for Deutsche Telekom. The deal exemplifies the start of a tendency for large companies to shop around for telecoms services as European telecoms liberalisation in 1998 approaches.

In a deal worth up to $150m over three years, AT&T and allied European telecoms companies will provide advanced connections linking phones and computers at Hoechst's operations in the US, Germany and the rest of Europe.

Deutsche Telekom will continue to manage some forms of traffic, but AT&T will provide electronic mail connections and the extremely rapid "frame relay" services which big companies are increasingly adopting.

But Hoechst said the traditional relationship with Deutsche Telekom had no impact. "This is nothing to do with being patriotic or unpatriotic," said Mr Luigi Frigerio, telecoms manager of Hoechst. "Hoechst is a German name but a worldwide network of businesses."

To win the contract, AT&T overcame competition from a consortium of Deutsche Telekom and France Telecom, British Telecommunications' Concert alliance, IBM and Scitor, the computer network owned by the big airlines.

The Hoechst contract is a useful fillip to AT&T: although it was named as the most credible global telecoms company in a recent survey by consultants Yankee Group, rivals claim its international strategy is ineffective.

BT said yesterday that, of five tenders by large companies in which it had faced AT&T in October, it had won four. The US company also lost out to BT in the bidding to ally with Compagnie Générale des Eaux to attack the French market.

AT&T's alliance with the four European telecoms companies in the Unisource group – KPN, Telia, Swiss PTT and Telefonica – is looser than Concert, the joint venture between BT and MCI Communications of the US cemented by their announced merger.

Italy's airlines await heat of battle

Deregulation and an influx of new entrants threaten a shake-up of the industry

Competition in Italy's skies intensified this week with the launch of yet another small airline.

AZZURRAair is the newest arrival in the country's airline industry, where competition began in earnest a year ago when the national carrier, Alitalia, lost its monopoly on the key Milan-Rome flights.

Although the market was opened up in 1993 in line with European Union rules, fully-fledged deregulation has been delayed by domestic restrictions already in force on most routes.

AZZURRAair, which is 49 per cent owned by Air Malta and is based at Bergamo, northern Italy, has become the first Italian airline to schedule flights to London's City airport.

It has also bucked the trend for regional airlines to acquire second-hand aircraft by buying three Avro RJ-85 four-engined jets, made by British Aerospace, from Aero International Regional (AIR). AIR expects more sales to Italian operators shortly.

Air One, owned by Mr Carlo Toto, is another private operator that has grabbed 20 per cent of the Milan-Rome market while Noman, which began operating at the end of 1995 and is majority-owned by the La Starza family, has taken nearly 2 per cent.

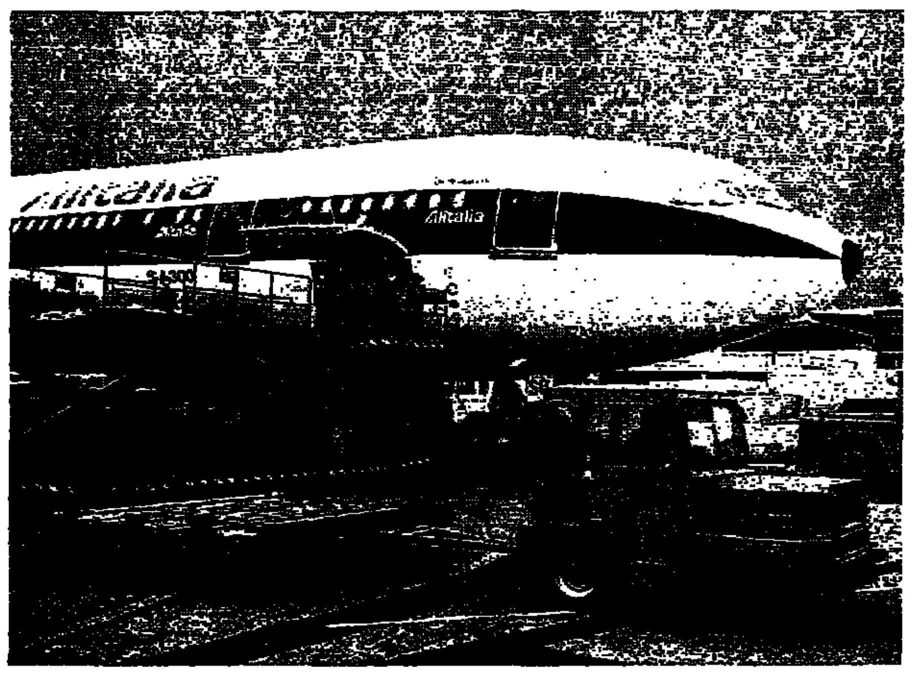
On what was one of Europe's most expensive routes, Air One undercut the Alitalia standard fare by 22 per cent and the off-peak by 42 per cent, prompting Alitalia to respond this year with a more flexible fare structure including a L139,000 ($91) off-peak fare that matches that of Air One.

Since October, Air One has branched out from its Rome-Milan operation and now flies the important business routes of Rome-Turin, Naples-Milan and Naples-Turin. Its initial fleet of three aircraft has increased to eight – seven of them leased Boeing 737-300s – while its workforce, including an airport handling services arm, has doubled to 300.

Alitalia still carries 80 per cent of all domestic traffic and stiff competition has yet to emerge in the regional centres of Palermo, Catania and Bologna.

But private operators such as the long-established Meridiana, and newer entrants such as Air Dolimiti, Air Sicilia and the north-east airline Alpi Eagles, all see scope in niche markets.

Alpi Eagles, however, suffered a setback this month when its four aircraft were suspended briefly for infringing regulations after an incident in which a passenger door on a Fokker 100 opened shortly after take-off from Venice.



Trevor Humphries

Alitalia: the former flag carrier faces a European Commission probe into its restructuring

Mr Chris Avery, European aviation analyst at Paribas in London, says the Italian market is still in the early stages of liberalisation. "We have not yet seen a shake-up of early start-up airlines or any go under," he says.

The pattern seen elsewhere, he says, is for the national carrier to attempt to keep the new operators in loss by matching them in scheduling and pricing until their banks lose patience.

He believes survival may be easier in Mediterranean countries, where national carriers are not at the leading edge of low-cost service.

The entrants are also beginning operations at a time of difficulty for both Alitalia and Meridiana. Alitalia estimates losses and restructuring costs this year at L1,200bn and the European Commission is investigating the restructuring because of concerns that a L3,000bn capital injection broke EU state aid rules.

Meridiana, which is jointly owned by the Aga Khan along with Airfin, and Fimpar and Cariplo, the savings banks, is attempting to persuade unions to accept a five-year plan including a productivity agreement.

Meridiana, which has nearly half its activity on Sardinia routes, has seen revenue fall since deregulation. It expects to break even this year with estimated sales of L475bn, down from L512bn.

It has warned its 1,200 staff that it will be forced to restructure if the plan is not agreed. "We want to consolidate our position as Italy's leading privately owned airline and increase our 17 per cent market share," says Mr Claudio Miorelli of Meridiana. "But we need to be competitive and to bring our labour costs down to at least the level of Alitalia and closer to the level of the new entrants which have not had to negotiate agreements with unions."

A fresh stage of competition begins next April when EU rules permit European-wide carriers to operate in Italy. There is also likely to be further liberalisation of ground-handling services, a big component of the costs of low-cost carriers.

Operators are also keen to see how new arrangements for slot allocation will work in practice. Until last month, when it relinquished the role, Alitalia was responsible for allocating slots at congested airports, but was recently fined for abuses which included scheduling its own flight times to overlap with those of competitors and impeding purchase of rivals' tickets through travel agents.

John Simkins

Coca-Cola increases links with Leventis

By Kerin Hope in Athens

Coca-Cola, the US soft drinks company, is to take a minority stake in two Russian bottling plants belonging to the Cypriot-owned Leventis group.

The move will cement the position of Leventis as one of the US company's half-dozen "anchor bottlers" around the world. Leventis also holds Coca-Cola franchises in Greece, Nigeria and several Balkan countries.

Leventis said yesterday the exact size of Coca-Cola's stakes in the plants at Oryel, west of Moscow, and Novosibirsk in central Siberia would be decided after a valuation of Molino Beverages, the Luxembourg-based holding company which controls its east European operations.

In return, the Atlanta-based company will hand over another Russian Coca-Cola plant under its control to Leventis, which may later be offered additional Coca-Cola franchises in the former Soviet Union.

Leventis, a family-owned group, has been a Coca-Cola bottler for more than 40 years, but the Russian deal marks the US company's first equity stake in its operations.

Leventis has invested about $40m in the Oryel bottling plant, which serves a district of 15m residents. It is spending another $45m on a a greenfield plant for the Novosibirsk region, which is home to 27m people.

The group is also expected to invest about $60m in the former Yugoslavia, where Hellenic Bottling Company (HBC), its affiliate which bottles Coca-Cola in Greece, Bulgaria and Armenia, plans to take up franchises for Serbia and Macedonia next year.

HBC is negotiating joint ventures in both countries with local partners. In Macedonia, it will join forces with Athenian Breweries, the Greek affiliate of Heineken, to acquire a majority stake in Skopje Brewery, which produces both beer and soft drinks.

The company said yesterday its franchise for Greece, which was due to expire in mid-1997, had been renewed by Coca-Cola Atlanta for another 10 years.

Leventis has moved towards vertical integration of its soft drinks operations, producing PET plastic bottles, refrigeration equipment and bottle-tops at plants in Greece, Bulgaria and Romania.

HBC, listed in Athens, has a 30 per cent stake in Molino Beverages and is one of two quoted companies in the Leventis group. The other is Nigerian Bottling Company, listed on the Lagos exchange, which supplies a market of more than 100m people and projects pre-tax profits this year above $20m.

INTERNATIONAL NEWS DIGEST

KTM shares make solid start

Shares of KTM, the Austrian motorcycle company, rose 2.5 per cent to Sch605 in heavy trading on their first day on the Vienna stock market. The issue, the first initial public offering in Austria for more than a year, was 12 times oversubscribed and the shares were priced at Sch590, equivalent to about 16 times earnings.

Some 121,000 shares, about an eighth of the share capital, changed hands in the first day's trading. KTM is the first publicly listed motorcycle manufacturer in Europe and produced 15,086 machines in its last financial year. Roughly half the company's share capital was floated on the stock market and half of the Sch543m ($50m) issue was placed overseas. *William Hall, Zurich*

France Télécom in price plan

France Télécom yesterday announced an aggressive pricing policy for 1997, when it is to be partially privatised through the public sale of about 20 per cent of its capital.

The French utility is to raise its standard monthly telephone subscription, which is among the lowest in Europe, by 28 per cent next March to FFr68, with a new half-price subscription rate for "moderate" phone users, who would pay extra for their relatively rare calls. But it also plans to cut the cost of national calls by 17.5 per cent in March and 21 per cent in October, and to cut the cost of calling abroad by 20 per cent in March.

Mr Michel Bon, France Télécom chairman, said the utility was gearing itself to go to the stock market from the second half of April onwards. The exact timing would depend on market conditions, but he said France Télécom was "more encouraged than ever" by Deutsche Telekom's successful flotation. *David Buchan, Paris*

Bouygues, St Gobain in deal

Bouygues and Saint Gobain yesterday announced plans to merge two of their water and public services subsidiaries to create a new entity with a FFr12bn ($2.3bn) annual turnover.

Under the deal, which the parent companies said would be discussed with the subsidiaries' staff and French competition authorities, Saint Gobain would sell 80 per cent of its Cise water treatment company to Bouygues for FFr2.16bn. Bouygues would have an option to buy, and Saint Gobain the option to sell, the remaining 20 per cent up to March 2000. Bouygues' plan is to merge Cise with its subsidiary Saur during the course of next year. The agreed price for 100 per cent of Cise is FFr2.7bn, after payment by Cise of FFr155m in dividends to Saint Gobain by the end of this year. *David Buchan, Paris*

Premier Group ahead

A solid increase in first-half profits at Premier Group, the South African food, pharmaceuticals and retail group, has buoyed hopes of recovery at the debt-laden conglomerate.

Pre-tax profit of R258.4m ($54.9m) was not comparable with the R183.9m achieved in the previous period, as the group had disposed of subsidiary Clicks, the nationwide retail chain. But Mr Doug Band, chairman, said a 25 per cent increase in trading profits and modest sales growth were "an excellent improvement".

Turnover was 4 per cent higher at R8.1bn, despite a slump in consumer spending and harsh trading conditions. Earnings per share for the six months to October 31 increased from 12.1 cents a share to 15.1 cents. *Mark Ashurst, Johannesburg*

Tractebel defers decision

Tractebel, the Belgian utility, said its board would consider a merger with Powerfin, its 60 per cent owned subsidiary, when the two companies' 1996 accounts had been finalised. Tractebel and its controlling shareholder, Société Générale de Belgique, have been looking at a merger with Powerfin since September, when SGB increased its stake in the group to 65 per cent. Powerfin was set up to spearhead Tractebel's expansion in the electricity sector abroad. *AFX-News, Brussels*

Metsä eyes Biber paper arm

Metsä-Serla, the Finnish pulp and paper concern, said it was holding talks on the acquisition of the fine paper operations of Biber Holding, the Swiss company. Metsä-Serla said the talks applied only to Biber's fine paper operations. *AFX-News, Helsinki*

Canal Plus deal goes ahead

Mr Pierre Lescure, chairman of Canal Plus, the French pay-TV company, said the merger between Canal Plus and NetHold would be signed on Saturday and effective from March. Mr Lescure said it would have a "clear impact" on Canal Plus's 1997 results, because of losses at NetHold, which reached FFr800m in 1996. *AFX-News, Paris*

Philips may dispose of cable TV business

By Alan Cane

Shares in Philips Electronics rose Fl 1.20 yesterday to close at Fl 67.40 after the Dutch company confirmed it was examining the possibility of disposing of its extensive cable television activities.

These include networks in Amsterdam, Eindhoven, Brussels and Vienna covering more than 2m subscribers. The cable interests are held by a joint venture company, UPC, owned equally by Philips and by the US group United International Holdings.

Philips said it was examining various options and did not rule out the possibility of an outright sale. It is understood Philips is prepared to examine the possibility of selling its interests either as a whole or in parts.

Philips said there had been no negotiations with potential buyers and no decision had been taken. It would not comment on the possibility that UIH could be a potential buyer of the stake. UIH has not made clear its position on a disposal.

The disposal of Philips' cable interests would be in line with the policy outlined by Mr Cor Boonstra, the company's new chairman, who told journalists in late October he intended to cut activities that absorbed capital but were not core to the company's ambitions.

The projected disposal, however, raises questions about the value of the assets and the ambitions of potential buyers.

In the UK, for example, the cable companies Videotron, Nynex CableComms and Bell CableMedia are to be merged with the telecoms interests of Mercury Communications in a deal masterminded by Cable and Wireless.

The deal is less about promoting cable television than cable telephony. As cable companies in mainland Europe win the right to offer telephony over their networks, Philips' 2m customers will represent an increasingly valuable asset.

French take to streets over Eurotunnel concession

By Andrew Jack in Paris and Motoko Rich in London

Individual shareholders in Eurotunnel took to the Paris streets yesterday to try to force the French and UK governments to extend the concession granted to the operator of the Channel tunnel rail link.

About 100 investors, most well above France's retirement age, marched to the British embassy to submit a letter calling for the UK's support for an increase in the concession to up to 999 years. The British government is opposed to an extension, while France appears to be in favour.

Mr Christian Cambier, march leader and head of the Association of Eurotunnel shareholders, said an extension was a prerequisite for investor approval of the company's £9.1bn ($15.1bn) debt restructuring programme. Investors are scheduled to vote on the plans next spring. However, in an indication of softening investor sentiment, a sub-committee of the association said yesterday it agreed with some of the plan.

Mr Cambier's association, in conjunction with a mass campaign launched by the fortnightly newspaper Investir, collected enough votes to form a blocking minority at Eurotunnel's annual general meeting last summer, and could jeopardise approval of the restructuring.

The British embassy said yesterday: "The extension of the concession is the subject of discussion, and we will respond in due course."

A report published yesterday by Klesch & Co, the debt traders, said an extension to the concession "would add little current value to the underlying worth of the group's equity".

On its estimates, the company's shares are worth about 50p each, compared with yesterday's London closing price of 82p, up ½p.

The report suggested last month's tunnel fire could have a more lasting effect on the group's refinancing programme if passengers switched to alternative forms of travel, the insurers raised their premiums, or if the Channel Tunnel Safety Authority called for a re-design of the freight rolling stock.

"We are not saying that this fire in isolation says the restructuring is dead before it is done but in our view it makes it a lot more fragile," said Mr Jeff Summers, Klesch analyst.

However, another analyst said: "There is no material long-term impact of the fire. It was bust before this incident and it is bust afterwards. It's just a question of whether infinity plus two is more than infinity."

Tobacco stocks prove healthy for investors

By Richard Tomkins in New York

Tobacco stocks are a bad buy, right? No-one in their right mind would buy shares in an industry threatened by billions of dollars worth of lawsuits.

Wrong. One of the hottest stocks on Wall Street is Philip Morris, the biggest US tobacco company. In the past few weeks, its shares have leapt so fast, they have left the market's rapid advance in a trail of smoke.

As recently as August, Philip Morris shares touched a low of $85⅝ after a Florida jury awarded damages of $750,000 to a cigarette smoker who had contracted lung cancer. (The verdict is under appeal).

But that lawsuit now seems to have been forgotten. In a rally that began to accelerate after last month's US presidential election, Philip Morris's stock – and only slightly less that of RJR Nabisco, the second-biggest tobacco company – has soared.

At lunchtime yesterday, Philip Morris shares were at $116¼, representing a increase of 36 per cent in less than four months. RJR Nabisco shares were at $33¾, a gain of 33 per cent over the same period.

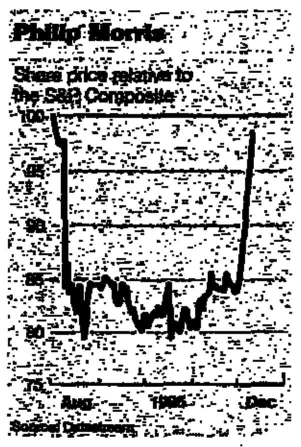
On the face of it, the gains are inexplicable. Nothing significant has happened in the US tobacco industry recently: there has been no sudden leap in profitability, nor has the industry won any big court cases.

Wall Street tobacco analysts say the gains are partly explained by a hiatus on the litigation front.

Wall Street tobacco analysts say the gains are partly explained by a hiatus on the litigation front – and the political climate also looks relatively favourable

Mr Norman Wilner, the anti-tobacco attorney who triumphed in the Florida case, has hit delays in pursuing lawsuits: his next trial is not expected to begin until April.

The political climate also looks relatively favourable. Although President Clinton, a tobacco industry foe, was re-elected last month, the more pro-tobacco Republican party maintained control of Congress, limiting Mr Clinton's ability to inflict much damage.



More good news for cigarette manufacturers came last month when Mr David Kessler, the strongly anti-tobacco head of the Food and Drug Administration, announced his decision to resign.

"That brought a large, collective sigh of relief," says Mr Terry Bivens, an analyst at Donald & Co Securities. "It seems clear that we won't get a successor who is as aggressively anti-tobacco as be was."

But Mr Gary Black, of Sanford C. Bernstein, says the biggest reason for the stock price gains is speculation that the tobacco industry and Congress will do a deal next year giving the industry immunity from anti-tobacco litigation. "There's a lot of talk about it on the street, and that's what's driving the stocks higher," he says.

The speculation was given a boost last week when Mr Steven Goldstone, RJR Nabisco chairman and chief executive, told a private meeting of chief executives in Boston that the "most meaningful" thing he could do next year would be to find a legislative solution to the litigation problem.

"I believe we'll come to reasonable ground and do it soon," Mr Goldstone said. "We can't continue in public as kind of an outlaw industry."

A legislative settlement would probably require the industry to fund a government-run compensation programme.

But Mr Black says cigarette manufacturers could raise the cash by increasing prices: an extra 25 cents per pack would raise $6bn a year, and any loss of sales would be more than outweighed by the relief from litigation.

If that happens, Mr Black says, Philip Morris would arguably trade on at least a market multiple.

PepsiCo begins South American marathon

Joint venture with Empresas Polar aims to win back lost 80% share of Venezuela cola market

When PepsiCo chose Venezuela for its first non-US plant 50 years ago, it was one of the few countries where Pepsi-Cola out-sold its rival Coca-Cola.

Today, PepsiCo is starting from scratch with 30 per cent of a joint venture in an attempt to recover the 80 per cent market share lost when its former bottler, the Cisneros group, switched to Coca-Cola in August.

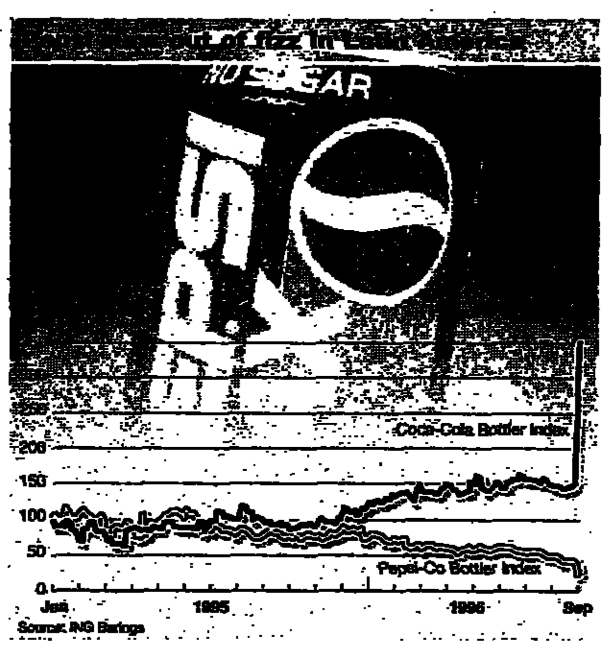
PepsiCo was quick to put together the new operation, Sociedad Productora de Refrescos y Sabores, (Sopresa), with the Venezuelan food and beverage group Empresas Polar. But the company admits recapturing the market will take time. "This isn't going to be some sort of short-term 100-yard dash. This is a long-term marathon and we don't underestimate how difficult our time ahead is going to be," says Mr Roger Enrico, chief executive officer of PepsiCo.

Mr Enrico does not hide his bitterness towards the group's former partner, whose defection to Coca-Cola left Venezuelans with little more than Pepsi advertisements in the streets. Explaining why the partnership fell apart, he says: "A big red truck full of money showed up on the door step and our partner decided to get in and drive away with it."

PepsiCo is seeking $118m in compensation from the Cisneros Group for the breaking of a contract supposed to last until 2003.

The Venezuelan anti-trust agency, Procompetencia, on Tuesday ruled that the alliance between Coca-Cola and Cisneros could go ahead, but fined the company $1.9m for violating anti-monopoly regulations.

Procompetencia ordered that the joint venture between Coca-Cola and Hit de Venezuela, the Cisneros subsidiary, could not bottle more than one brand of a single flavour soft drink and would have to sell the licence for other sodas.



Both companies celebrated the ruling as a victory. "This proves that Coca-Cola and Hit are a legal entity and all the allegations that Pepsi made were completely false," said a Coca-Cola spokeswoman.

Mr Alberto Uribe, president of PepsiCo in Venezuela, said the ruling "not only re-established free competition in the market but severely punishes Coca-Cola, which tried to enter the market violating the laws of this country".

Not that Sopresa believes Pepsi's problems are over. "There are many obstacles to our progress here," says Mr Enrico. "We will have to build the business from the ground up."

Sopresa has only one production plant, which previously produced Polar's own soft drink brand, Golden. Another plant will start operating in the first quarter of 1997.

Pepsi-Cola produces the soft drink concentrate at its Venezuelan plant at Yanare, which also supplies Colombia, Ecuador, Peru, Bolivia and Paraguay.

Though PepsiCo continued advertising its products even when they were not available, an aggressive advertising campaign will be postponed until Pepsi has recovered its market penetration.

"The important part in this market is the distribution," says Mr Oscar Grossmann, soft drinks manager of Empresas Polar and president-elect of Sopresa.

Unlike other markets, where much of the cola battle is carried out with heavy publicity, the case of Venezuela dictates that distribution takes precedent over advertising, according to PepsiCo. "We don't need to teach anybody here how to drink Pepsi," Mr Enrico says.

Despite Polar's large beer distribution network, which reaches 140,000 sales points, Sopresa will build up its own network.

"You'll never see soft drinks on a beer truck," says Mr Lorenzo Mendoza Giménez, executive director of Polar. "They're set up completely differently." Sopresa is to increase its fleet of trucks from 250 to 1,500 within two years. Investments over the next three years will total $400m.

Given the current conditions, Pepsi-Cola's goal of recovering market leadership within two years is ambitious. Sopresa expects to sell 50m cases next year, roughly 25 per cent of Venezuela's soft drinks market.

Raymond Colitt

AMERICAS NEWS DIGEST

JP Morgan debt rating outlook cut

Standard & Poor's, the US rating agency, has lowered the outlook on J.P. Morgan and Co's AA plus senior debt rating from stable to negative.

The agency cited J.P. Morgan's changing financial profile, as the bank's business shifts towards investment banking. J.P. Morgan recently issued preferred stock and announced a share repurchase programme, both of which could lead to further leveraging of the balance sheet.

The agency said capital levels were no longer high enough for the triple-A rating category, though J.P. Morgan's parent, Morgan Guaranty, is still rated triple-A. "The expense base has grown rapidly as the bank built its investment banking capabilities," S&P said, adding that "operating leverage could make the bank more subject to the cyclical earnings swings prevalent among investment banks". *Tracy Corrigan, New York*

CBOT re-elects Arbor

Mr Patrick Arbor was re-elected to a third two-year term as chairman of the Chicago Board of Trade in a membership vote on Wednesday, making him the longest-serving chairman in the history of the world's largest futures exchange. Mr Arbor is an independent floor trader and principal in the trading firm of Shatkin, Arbor, Karlov & Co.

Mr Richard Sandor, chairman of New York-based Centre Financial Products, was elected second vice-chairman for a two-year term. Mr Sandor, a long-time innovator in the derivatives markets, most recently served as a member of the Chicago Mercantile Exchange's board of governors. *Laurie Morse, Chicago*

US natural gas alliance

Oneok, the US natural gas distribution company, and Western Resources, the Kansas-based electricity company, plan to form a strategic alliance to combine their natural gas assets in a transaction valued at $660m.

Oneok will own and operate the natural gas assets of Western Resources in Kansas and north east Oklahoma. Western Resources will become the largest equity holder of Oneok through a combination of common and convertible preferred stock. Western Resources and Oneok expect the agreement to help earnings for both companies in the first year. The pact has received approval from both companies' boards.

Western Resources will get about three million new Oneok common shares and preferred stock convertible upon necessary regulatory approvals into another 19.2m common shares. Western Resources will nominate two directors to Oneok's board and an additional two directors if the preferred stock is converted to common shares. *AP-DJ, Kansas*

Eluma president leaves

Mr Jorge Washington Queiroz, the president of copper-product maker Eluma, a subsidiary of the Brazilian mining and metallurgy conglomerate Paranapanema, has left the company because of "differences in management style regarding the strategic vision for Eluma's future", Mr Queiroz told Dow Jones News Services.

Paranapanema says the departure was by mutual agreement. The Paranapanema president, Mr Dennis Braz Goncalves will take on the position. *AP-DJ, Rio de Janeiro*

Esprit Asia tightens its grip on global trademark

By Louise Lucas in Hong Kong

Esprit Asia, the Hong Kong-listed fashion retailer, is to pay HK$1.84bn (US$237.9m) for the European, sourcing and licensing operations of the Esprit empire.

By bringing the different businesses under one roof, Esprit Asia plans to expand the brand in Europe, and to cut overheads by streamlining sourcing and other operations.

It also plans to diversify beyond fashion into lingerie, perfumes, jewellery and cosmetics under the Esprit label.

Mr Alva Chan, executive director of Esprit Asia, said the company – which is an integrated retailer, with its own production department – was able to meet less than 15 per cent of its manufacturing needs at its own 600-employee factory in China.

"Through the acquisition, there is synergy on the sourcing and production side: now, 70 per cent to 80 per cent of Esprit Asia products are designed in Germany."

Esprit Asia is buying the businesses primarily from a company controlled by Mr Michael Ying, chairman and chief executive of Esprit Asia, which is itself the majority shareholder in the Hong Kong-listed group.

Under the deal, Esprit Asia is to acquire all of Esprit Europe and Esprit Far East (Sourcing), as well as 63 per cent of Esprit International, which owns or controls the Esprit trademark in a number of countries, and has small stakes in the US and Japanese operations.

After the transaction, which remains subject to shareholder approval, Esprit Asia will wholly own the Japanese business.

The deal will be partially funded by a HK$307.8m share issue, with the balance coming from a bank loan and internal resources.

This will push the company's gearing up to 139 per cent including goodwill, or 239 per cent excluding goodwill.

Mr Chan conceded the level was high compared with other Hong Kong corporates, but said the interest cover of five or six times was "comfortable".

Esprit's biggest operation is in Europe, where turnover is more than US$470m. But Mr Chan reckons Europe also offers some of the biggest scope for expansion, as stores are now concentrated largely in Germany and Benelux.

The US and Asia operations each have turnover of slightly more than US$250m. Stores in all three markets are a mix of directly controlled shops and franchises, all of which tap Esprit Sourcing's operations.

Mr Chan said that, despite common management, the three different regions were now pursuing slightly different target markets: a junior look in the US; "provincial housewife" in Europe; and more trendy fashion in Asia.

"Of all the synergies, design will be more unified. In future, Germany will not just think of the German market, but of a global market," Mr Chan said.

Hyundai Motor to accelerate Asia push

By John Burton in Seoul

Hyundai Motor, South Korea's largest car producer, plans to produce a new car for the Asian market in an ambitious attempt to sell 1m vehicles in the region by 2005.

The Hyundai "Asian unique model", which will be on the market in early 1999, is meant to compete against similar Asian cars being produced by Japanese carmakers Honda and Toyota.

The announcement of the venture came as Hyundai Motor this week broke ground in India for its first Asian manufacturing plant outside Korea. The plant, which will go into operation in 1998, is expected to produce 200,000 vehicles a year once fully completed, in 2005.

The Hyundai Asian car will be similar in size to its popular Accent model. It will be equipped with 1,300cc and 1,500cc engines, and 80 per cent of the components will be sourced from local manufacturers.

Hyundai plans to set up a regional headquarters in south-east Asia to oversee production and marketing.

The $1.1m Indian plant, near Madras, is expected to play a key role in supplying the Asian market, and will produce engines and transmissions for other Hyundai assembly plants in the region.

Hyundai sold 90,000 vehicles in Asia last year, accounting for 18 per cent of its total overseas sales.

Former Magma chief to leave BHP copper arm

By Nikki Tait in Sydney

Mr Burgess Winter, the former chief executive of US-based Magma Copper, is to retire from BHP. Mr Winter became the head of BHP's copper division after the Australian resources group acquired Magma for A$3.2bn (US$2.53bn) in January.

A statement from the Melbourne-based company said that Mr Winter, 63, was departing "to pursue a range of business and personal interests". There was no formal contract between the US executive and the Australian group.

Mr Winter's place will be taken by Mr Jim Lewis, currently executive general manager, corporate development. Mr Lewis has been with BHP for more than 20 years, moving up on the coal, steel and transport sides of the business.

Mr John Prescott, BHP managing director, said last night that there had been no pressure from BHP on Mr Winter to depart. He pointed out that the integration of Magma with BHP's existing copper assets had been completed and that a new organisational structure was now in place.

Burgess Winter: oversaw the integration of Magma

It had been "within the terms of the arrangement" between them that the US executive could choose to leave at this stage, he said.

The Magma deal, which made BHP the world's second-largest copper producer, was applauded when first announced. It gave BHP an involvement in copper smelting via Magma's San Manuel smelter in the US. This was seen as advantageous because of the Australian company's growing supply of copper concentrate from the Escondida mine in Chile, as well as from Ok Tedi in Papua New Guinea.

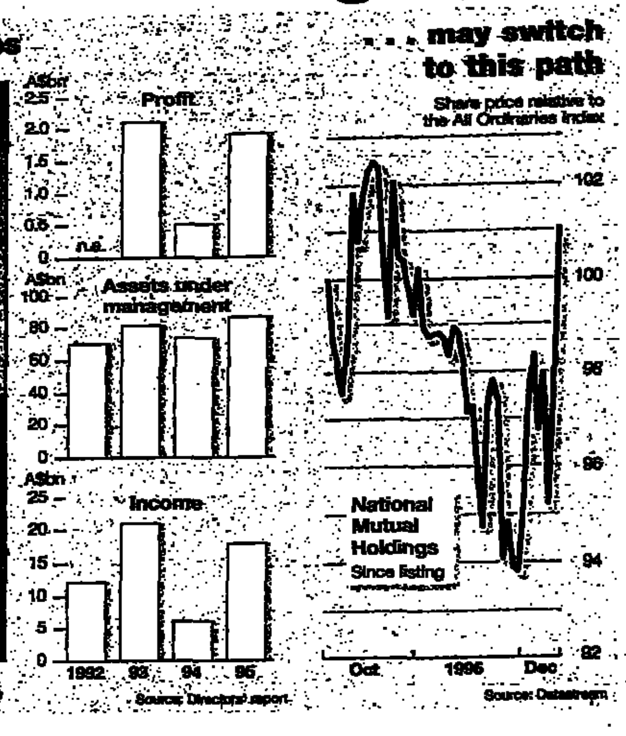
But subsequent upheavals in the copper market stemming from the Sumitomo scandal made the acquisition appear ill-timed, and there has been pressure on BHP to make the deal perform.

In August the group seconded Mr Bob Flew, its corporate general manager, international, to the newly formed BHP Copper division in order to bring experience from the wider group to the enlarged copper business.

AMP gives in to listing urge

Life insurer's chief believes benefits of demutualising outweigh risk

George Trumbull, managing director and chief executive



The first whiff of demutualisation at AMP, Australia's largest life insurer, could be scented two years ago.

Within months of the arrival in mid-1994 of Mr George Trumbull, the US insurance executive, as managing director, the option was clearly on the table. There was an even chance that the institution could shed its mutual status by 1999, the new boss said later that year.

"It is easier to run a commercial enterprise, in my view, as a stockholder company," he said. "But ... it's a major undertaking and we won't do it lightly."

Until then AMP had downplayed talk of changes to its structure, despite the growing popularity of demutualisation internationally. It pointed out that it was well-capitalised and had no need to raise additional funds through the stock market – a primary motivation for many other insurers.

But Mr Trumbull's appointment was in itself a recognition by AMP's board that the institution needed an overhaul. In contrast to many Australian financial institutions, the life insurer – which speaks for about 4 per cent of the Australian equity market – had emerged from the turbulent 1980s in solid financial shape.

Nevertheless, it was increasingly seen as a heavily bureaucratic organisation, slow to respond to consumer demand and in danger of losing its way in a rapidly evolving and increasingly competitive savings industry. Its investment performance was flagging, and by 1994 its share of total life premiums in Australia had dropped to 19 per cent, compared with 27 per cent five years earlier.

So, as the new managing director pursued an internal "culture change", the demutualisation option was explored alongside it. In January this year, AMP set up a taskforce to review the corporate structure. Yesterday, the board announced it had studied the review's conclusions and was backing demutualisation.

The timetable for change remains relaxed. AMP's 2.2m members will have a chance to discuss the issue at next April's annual meeting, but formal details will be sent to them only in the middle of next year. A vote will be taken in the second half of 1997.

If members back the plan, a new global holding company will be introduced, with units such as AMP Society, the main life company, and the UK-based Pearl becoming subsidiaries of it. The holding company will probably be listed in late 1998.

Yesterday Mr Trumbull made clear that his views on the rationale for demutualisation had not changed. "We could go on as mutual for a period of time," he said.

"But our judgment, after weighing all the factors, is that the change at this point in time makes good sense. It enables us to have more flexibility, changes the corporate governance and ownership structure into something more modern, and acts as another lever in changing the culture of this society ... so that we can continue to be a competitive force."

Doubts remain about whether this time-consuming process will hamper AMP's ability to respond to changing market conditions in the interim. The Australian government has instigated a wide-ranging inquiry into the country's financial sector. This is due to report early next year, and a big shake-up could be in view.

Mr Trumbull has no such doubts. He has not hidden his desire to make AMP a more broadly based financial services group, but claims the group could still make important acquisitions while demutualisation is taking place – at least until a pre-listing prospectus is issued.

"We continue actively to evaluate acquisitions ... in various parts of the world," he said yesterday, adding that deals in the A$2bn-A$5bn (US$1.6m-US$4m) range would be well within AMP's current capabilities. "I don't think it'll have a big impact short-term on any of our strategies."

He suggested that areas of interest to AMP included pensions, savings and investment management, and that a conventional banking business held less appeal. The focus was on the main English-speaking markets, such as the UK, the US and Australasia.

When listed, AMP will be one of the bigger companies on the Australian stock market. National Mutual, the country's second-largest life insurer, which listed earlier this year, accounts for about 1 per cent of the All-Ordinaries index, and AMP could be three times larger.

This will mean that index funds need to build up holdings, and Mr Trumbull said yesterday AMP would expect a fair portion of its shares eventually to be held offshore, perhaps by US institutions.

Demutualisation, however, will not come cheap. To date, AMP has spent A$10m on evaluating its options, and it will come up with another A$50m-A$100m in the pre-listing stage. Then there will be the listing costs themselves, not to mention the expense of managing a potentially large share register.

The 147-year-old institution may even have to find a new name. The "M" stands for "Mutual", and if US shareholders join the register, there could be confusion with a company called AMP Inc, which is traded under "AMP" on Wall Street.

"We haven't picked a name," said Mr Trumbull yesterday, before quickly stressing that the main life subsidiary would continue to carry the AMP title.

Nikki Tait

Siemens and CP in chip plant deal

By Ted Bardacke in Bangkok

Siemens of Germany has signed a memorandum of understanding to provide technology for a $1.2bn semiconductor plant being built by Thailand's CP Group in Shanghai, China.

CP said it was also discussing with Siemens taking an equity stake in the project, as well as participating in the development of a downstream packaging and testing plant.

Last month CP agreed to build the wafer plant in the Puodong development area in east Shanghai, where the conglomerate, the largest single foreign investor in China, has extensive property holdings and the headquarters of its commercial bank, TM Bank.

If approved by Beijing, CP would hold 31 per cent of the project, with the Shanghai Municipal Authority and the Ministry of Electronic Industries taking up the rest. The plant would produce low-end semiconductors for use in such products as clocks and calculators.

Higher-end D-ram chips are expected to be built at a second, $1.2bn plant CP is considering for either Thailand or Hong Kong.

Nomura broking side downgraded

By William Dawkins in Tokyo

The creditworthiness of Nomura Securities, the leading Japanese stockbroker, was yesterday downgraded by Standard and Poor's, the US credit rating agency.

S&P cited likely pressure on Nomura's earnings from the forthcoming liberalisation of Japanese stockbroking commissions, an expected increase in competition on the Tokyo equity market following the government's recent financial deregulation plan, and Nomura's costly recent bail-out of a non-banking affiliate.

Nomura Securities reported a Y140bn ($1.24bn) consolidated net loss in the six months to September as a result of its decision to write off the bad property-linked debts of the affiliate, Nomura Finance.

S&P now rates Nomura's long-term counterparty debt at A plus, down from AA minus and its short-term debt at A-1, down from A-1 plus.

For the future, the agency said Nomura's outlook was stable and that its capitalisation was "expected to remain high by global standards".

Sitca hits out over Thai bank rescue

By Ted Bardacke

Sitca Investment & Securities said yesterday that its proposed rescue of the troubled Bangkok Bank of Commerce had been made "unfeasible" by Thailand's central bank, which it accused of "introducing harsh new conditions and unreasonable terms" for the bank's purchase.

Sitca, a leading finance and securities company, was chosen last month by the central bank to bail out the commercial bank, which was taken over by the government last May after nearly collapsing with bad debts of Bt50bn ($1.95bn).

Sitca said it had an agreement in mid-November to buy a controlling stake in the bank over a seven-year period. But at the end of the month regulators altered the terms, the company said.

The central bank wanted Bt32 a share rather than the Bt12 it had originally requested and insisted on keeping a majority on the bank's board of directors and its executive board.

Sitca claimed the higher price was an attempt by the central bank to avoid sharing any of the financial burden in sorting out the commercial bank's bad loans.

COMPANIES AND FINANCE: UK

London Electricity to reassess £500m plan

By Simon Holberton

London Electricity, the capital's electricity distributor and supplier, is to re-examine its £500m ($820m) capital spending plans for its in the light of planned government changes to the taxation of long life assets.

London is the first electricity company to suggest that its investment plans might have to change following a Budget proposal that depreciation on assets with a life of 25 years or more should be cut from 25 per cent to 6 per cent.

Sir Bob Reid, chairman, said: "We hope that elements within our programmes, such as tunnelling, which provide environmental and social benefits to London, are excluded from the proposals and that long-term investment is not discouraged." He also gave the strongest hint that London was the company that was planning to merge its electricity supply and gas operations after 1998 with Northern Electric.

Northern unveiled the possible merger as part of its bid defence against Cal Energy of the US earlier this week.

It said the deal could save both parties £28m a year.

Sir Bob said London remained "pragmatic" about its supply business.

"Our priority remains our distribution networks."

He made these comments as London published results which showed an 18 per cent fall in pre-tax profits to £69.3m from £84.5m in the six months to September 30.

Turnover rose 11 per cent from £556m to £617m.

As expected the company declared an interim dividend of 14.3p, an increase of 9.2 per cent.

Earnings per share were 31.4p (32.8p).

Operating profits for London's distribution business were just 4.5 per cent lower at £63.3m, reflecting the second distribution review.

Non-regulated distribution profits were up 70 per cent to 3.6m.

Supply profits fell to £3.1m from £3.8m on turnover up £60m to £574m.

Analysts said these figures were disappointing. The 11¼p rise to 651½p in London's share price yesterday should not be seen as appreciation of the half-year results the company published, but rather the activity of investors scenting a bid in the air. The results were unexceptional.

Pru raises its Northern Electric stake to 11.4%

By Simon Holberton

Prudential yesterday said it had increased its shareholding in Northern Electric and repeated that CalEnergy's £782m ($1.28bn) hostile cash bid was "inadequate".

The UK life insurer said it had bought 100,000 Northern shares, taking its stake to 11.5m shares, or 11.35 per cent. Prudential said it was happy for its purchases to be seen as support for Northern.

"We don't think 650p [CalEnergy's offer] reflects an appropriate premium for control of a company whose management has sought to deliver value for shareholders," it said.

The announcement marks a more assertive stance by Britain's biggest investment institution, one that has found resonance among other fund managers.

One big investor, who requested anonymity, said of Northern: "They have done everything that could be asked of them. CalEnergy is getting away with it because of nervousness among investors about a possible Labour government and a possible referral".

CalEnergy said: "The Prudential is an extremely astute organisation." The bidder was referring to the fact that Prudential had bought the shares at 602p and so would make a profit of 48p a share – or £48,000 – if the bid succeeds.

Banks have agreed to maintain support

Wickes calls for £53m

By Ross Tieman

Brendan Corr

Bill Grimsey, who took over as chief executive last month

Wickes, the DIY retailer, yesterday ended almost six months of uncertainty over its future by unveiling a deeply-discounted £53.2m ($87.2m) rights issue and capital reconstruction to restore its balance sheet.

The issue, on a 1-for-10 basis is priced at 150p. Because of the capital reconstruction, the offer is equivalent to a 1-for-1 rights issue at 15p. Shares in the group were suspended at 69p on June 25, after the company discovered that profits had been overstated.

Provided the High Court consents to the reconstruction, and shareholders approve the proposals at an extraordinary meeting on January 6, trading in the shares could resume on January 7.

Wickes' UK banks have agreed to maintain their support, and provide on-going facilities of £52m once the rights issue proceeds are received. The banks may elect to take part of their fee in shares. That could entitle them to 666,666 new shares in Wickes, or 0.9 per cent of the equity.

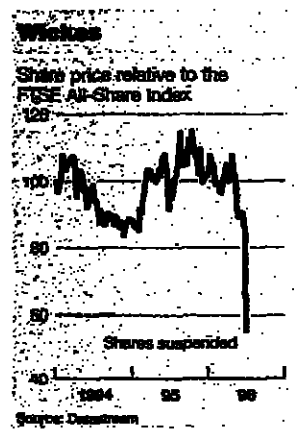
If all goes to plan, Wickes will emerge from the reconstruction with shareholders funds of £42m, gearing of 100 per cent, and annual sales from its 122 UK stores of about £450m.

The rights issue, underwritten by SBC Warburg, is accompanied by revised accounts for 1995, and a warning that the company is likely to show a pre-tax loss for 1996 of "not more than £56m."

Discussions have begun with potential purchasers of Wickes 39 stores in continental Europe.

LEX COMMENT

Wickes



The new Wickes unveiled yesterday presents a bitter-sweet proposition to shareholders. Being asked to hand over more money to a company with such a chequered financial record is hardly appealing. But the fully underwritten £53m rights issue is so heavily discounted – the 15p price probably represents a 50 per cent discount to what the shares are worth, never mind the 69p when trading was suspended – that it is probably worth shareholders taking up their rights.

On yesterday's evidence, it is difficult to be confident that Wickes can flourish alone. DIY may be a growing market, but it is also one in which it has proved difficult to prosper. And while Wickes may be a solid brand, it is hard to see how it can deliver on its promise to return to profits next year, after a projected loss of nearly £20m this year. The management has certainly made some necessary changes, but it is not clear it can deliver on the central issue of bolstering gross margins.

The best hope for shareholders is that Wickes attracts a bid. Both Kingfisher and RMC appear serious suitors, and would offer heavyweight management. Each can make out a strategic case for buying Wickes, not least the desire to ensure it stays out of the hands of a competitor. Without a bid, however, the shares would represent a risky proposition. Even at a price of around 25p, where they might be expected to start trading, they would not be for the faint-hearted..

M&G expects 'renaissance' of value

By William Lewis, Investment Correspondent

Value investors are likely to outperform growth investors next year, according to M&G, the fund management group.

Mr Vivian Bazalgette, recently appointed managing director of M&G Investment Management, said: "1997 looks like being potentially an outstanding year for value stocks." M&G added that the gap between high- and low-yielding stocks was at a historically wide level and a process of reversal "is inevitable at some point".

M&G conceded its adherence to value investing had led its UK unit trusts, its main products, to fall in performance rankings over the last three years, outperformed by funds managed by growth investors.

However, Mr Bazalgette predicted "the renaissance of value" in the year ahead.

These comments accompanied the announcement of a 16 per cent rise in pre-tax profits before exceptional costs to £72.1m ($118m) for the year to September 30. Earnings per share, also before exceptionals, increased by 13 per cent to 66.2p. After exceptional charges – including £7.6m for an overhaul of the administration offices – pre-tax profits were up 49 per cent at £64.5m and earnings up 45 per cent at 59.2p.

Funds under management increased from £13.8bn to £15.6bn.

Craegmoor raises £80m in securitisation move

By Richard Lapper, Capital Markets Editor

Craegmoor Group, a leading UK residential nursing and healthcare company, has raised £80m ($131m) for expansion in a novel bond issue backed by its entire operating income and assets.

The deal is the latest in the fast growing trend of companies and government bodies in Europe to "securitise" assets and streams of income.

European companies and government bodies have raised $35bn in securitisation deals so far this year compared with $12bn-$13bn last year, according to Duff and Phelps, one of two credit rating agencies which rated the bonds. Assets pledged in other European deals range from mortgage loans to train operating and aircraft leases.

Craegmoor will pledge its operating income and assets to a specialist financing subsidiary, which has issued the bonds and will use the income to pay the interest.

Mr Mark Lewis, executive director of UBS, the Swiss bank which lead the transaction, said the deal was "the first securitisation of an entire commercial operating business in Europe". In the health care sector loans to nursing home operators had been securitised before but it was the first time a health care company had securitised its revenues, he said.

Mr Michael Stratford, finance director at Craegmoor, said the deal had allowed the company to reduce its financing costs significantly and achieve funding over a longer period than would otherwise have been possible.

Craegmoor plans to use the money to reduce debt and finance its existing business but will also deploy some of the funds for acquisitions in a market which has seen some consolidation in recent months. It owns 41 separate homes and manages 1,964 beds.

Hicking in $55m US buy

By Michael Lindemann

Hicking Pentecost, the textiles group, yesterday said it would spend $54.9m to buy Belding Thread, a US maker of industrial thread, partly financed by a placing of stock units.

The south Wales-based group will offer shareholders one non-interest bearing stock unit, priced at 300p, for every three shares. The stock units will later be converted into new ordinary Hicking Pentecost shares on a 1-for-1 basis.

The stock unit offer is expected to raise £22m ($36m) net and Mr Tudor Davies, chief executive, said the group would take out loans of £12m to complete the purchase funding.

The loans would take net debt to £28m, gearing of 70 per cent, Mr Davies said. Hicking Pentecost shares closed 2p off at 312½p.

The company said the purchase was part of its strategy to become the leading international supplier of non-clothing thread.

Belding Thread is part of Belding Heminway, a listed US company 70 per cent controlled by the Noel Group.

The business saw 1995 operating profits fall 21 per cent to $5.09m on increased sales of $68.3m ($57.8m). It had net assets of $41.2m. Mr Davies said the group had dealt with productivity problems caused by moving production.

COMPANIES AND FINANCE: UK

Buoyant demand in Knightsbridge store behind 35% advance

Harvey Nichols ahead to £5.5m

By Christopher Price

Brendan Corr

Clive Morton (left) and Patrick Hanly, finance and commercial directors, flank Joseph Wan

The cost of the new Harvey Nichols store in Leeds, which opened for business in October, was revealed as £9m ($14.8m) yesterday as the upmarket retailer announced a 35 per cent rise in half-year pre-tax profits to £5.51m.

Sales increased 16 per cent to £49.2m with nearly all the revenues generated from the group's other store in Knightsbridge. There was a two-week contribution from the new London restaurant, sited in the restored Oxo Tower on the south bank of the Thames, while Leeds opened after the September 28 half-year.

Mr Joseph Wan, chief executive, said the company was considering sites in Manchester, Glasgow, Edinburgh and Newcastle for further stores. However, he added that the Harvey Nichols "image and prestige" would only lend itself to another two UK sites. "We need a large, affluent and fashion-conscious catchment area to sustain our investment. There are only another two locations which can probably do that."

Expansion in the restaurant business was also under consideration, with talks under way which could add a further two London outlets within the next 12 months.

The £9m for Leeds and a £2m payment for extending the men's wear department at Knightsbridge will double capital expenditure in the second half.

Mr Wan said demand for designer-label clothes was buoyant, while there had also been a 14 per cent rise in sales of the group's own-label merchandise. Like-for-like sales at Knightsbridge for the first nine weeks of the second half were running 16 per cent ahead.

Earnings per share rose 36 per cent to 6.4p (4.7p). The maiden interim dividend is 1.9p. Profit forecasts for the full year of £13.1m put the shares on a prospective p/e of 23 times.

The shares, which floated at 270p, rose 7p to 351½p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends: Corresponding dividend	Total for year	Total last year
Arlesian Estates	6 mths to Sept 30	1.79	(0.51)	0.175L	(0.01)	1L†	(0.1)	nil	-	0.75	-	1.5
Baggeridge Brick	Yr to Sept 30	33.1	(36.1)	2.52	(4.71)	4.07	(7.59)	2.375	Feb 12	2.375	3.125	3.125
Bradstock	Yr to Sept 30 ★	36.2	(33.4)	6.22♠	(8.09)	6.12	(5.95)	4.1	Apr 3	4.1	5.7	5.7
Care UK	Yr to Sept 30	21.7	(15.7)	3.52	(2.65)	6.76†	(4.83)	0.67	Feb 7	0.5	1	0.75
Claybithe	6 mths to Sept 30	13.9	(14.3)	0.054♠	(0.166)	0.21	(0.8)	0.88	Feb 6	0.88	-	3.45
Cook (DC)	6 mths to Oct 31	100.5	(89.7)	2.22	(2)	3.45	(3.15)	0.8	Jan 24	0.65	-	2.1
Countryside Props	Yr to Sept 30	160.3	(148.2)	3.14	(10.6L)	3.4	(12.7L)	1.5	Apr 9	1.39	2.25	2.8
DMGT	Yr to Sept 29	1,007	(874)	85.5♠	(55.8♠)	64.1	(45.2)	14.8	Feb 14	13.5	19.4	17.8
Euclidian	6 mths to Sept 30	0.021	(nil)	0.537♠	(0.532)	1.56	(2.16)	2	Jan 24	1	-	1
Fine Art	6 mths to Sept 30	146	(143.8)	2.07♠	(6.2)	1.71	(5.18)	3.7	Jan 25	3.7	-	16.5
French	Yr to Sept 30	16.2	(15.6)	0.627	(0.925)	2.25	(4.69)	2.175	Mar 8	2.175	3.75	3.825
Granada	Yr to Sept 27	1,152	(765.9)	117.4♠	(100.7)	32.1†	(36.9)	9.19	Feb 21	8.44	15.4	14.2
Harvey Nichols	6 mths to Sept 28	49.2	(42.4)	5.51	(4.09)	6.4	(4.7)	1.9	Feb 14	-	-	-
Hewitts	Yr to Sept 30	55.5	(45.7)	6.31♥	(4.55)	5.8	(4.3)	1.15	Apr 8	1	1.65	1.4
Jones Stroud	6 mths to Sept 30	41.1	(40.5)	2.85♠	(3.73)	10.69	(14.32)	5.25	Mar 31	4	-	10.5
London Electricity	6 mths to Sept 30	617.1	(556)	68.3♥	(84.5)	31.4‡	(32.8)	14.3	Jan 31	11.5	-	38.5
M&G	Yr to Sept 30 ★	146.6	(128.5)	64.5♠	(43.2♠)	59.2	(40.9)	20	Jan 30	18	36	32
MS Intl	6 mths to Nov 2	17.5	(15.9)	0.121♥	(0.12♥)	0.2	(0.3)	0.1	Feb 10	0.1	-	0.6
Phonelink	6 mths to Sept 30	2.16	(2.1)	3.15L	(2.71L)	6.71†	(7.3L)	-	-	-	-	-
Protean	6 mths to Sept 30	37.7	(32.7)	2.49♠	(3.94)	3.9†	(7)	1.6	Feb 14	1.6	-	6.6
Radiant Metal	6 mths to Aug 31	0.488	(0.437)	0.014	(0.009)	1.03	(0.7)	-	-	-	-	-
Reliance Security	6 mths to Nov 1	49.4	(41.9)	1.11	(1.78)	3.3	(5.5)	1.75	Feb 28	1.75	-	6.75
Scottish Hydro	6 mths to Sept 30	416.8	(388.2)	61.3	(61.7)	12.37	(11.85)	5.26	Mar 18	4.75	-	15.76
Select Appointm'ts	9 mths to Sept 30	263	(153.4)	14.8	(8)	12.9	(8.7)	-	-	-	-	0.25
Swan (John)	6 mths to Oct 31	0.945	(0.898)	0.325	(0.279)	33.3	(31.1)	-	-	-	-	20
Victrex	Yr to Sept 30	38	(31.3)	12.9	(9.53)	11.9	(8.6)	3	-	-	4.5	-
Wainhomes	6 mths to Sept 30	45.1	(48.2)	1.75	(4.25)	1.9	(4.5)	1.5	Jan 27	1.5	-	4.5
Wickes	9 mths to Sept 28☆	434.4	(834.6)	52.7L♠	(279L♠)	13.8L†	(74.8L)	-	-	-	-	0.6
Windsor	Yr to Sept 30	11.7	(10.7)	0.764♠	(0.443♠)	0.92	(0.57)	0.6	Apr 7	0.5	0.6	0.5

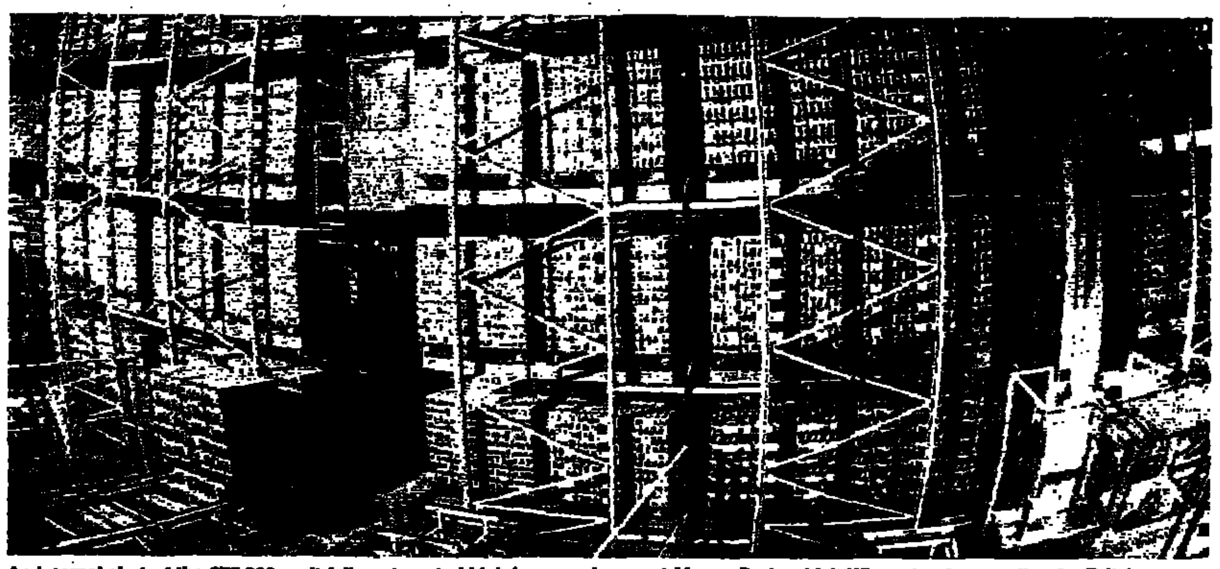
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dartmoor	6 mths to Oct 31 ★	104.76	(109.07)	2.7	(4.15)	5.6	(8.61)	3♦	Jan 31	2.9	-	12.5
Dunedin Smaller	Yr to Oct 31 ★	402.5	(350.3)	1.6	(1.55)	9.54	(9.24)	6	Jan 27	6	9	9

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. ‡On reduced capital. ☆Comparatives for 12 months and revised. ♦Second interim: makes 6p to date.

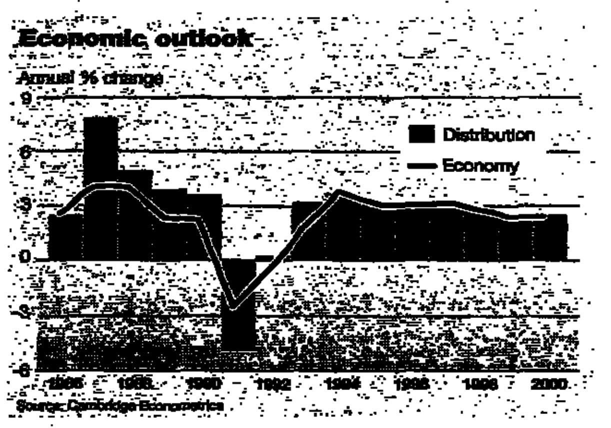
SURVEY: WAREHOUSING AND DISTRIBUTION

Investment yields on high bay warehousing have risen but it may no longer be seen as a 'hot' sector, writes **Simon London**

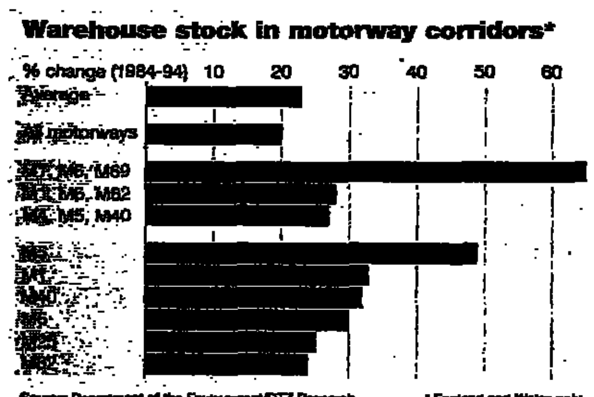
Objects of desire



An internal shot of the 275,000 sq ft fully-automated high bay warehouse at Magna Park, which Wincanton is operating for Britvic



Source: Cambridge Econometrics



Source: Department of the Environment/DTZ Research

* England and Wales only

Beauty, as the saying goes, is in the eye of the beholder. And to the untrained eye there is nothing aesthetically uplifting about a 30 metre high, metal-clad shed.

But to many consumer goods manufacturers, such high bay warehouses are objects of corporate desire.

Fully-automated warehouses, with goods stacked 25m into the eaves and retrieved by automated handling equipment, can cost far less to operate than traditional sheds. The biggest saving is on labour costs because automation reduces the number of warehousing staff required by up to 90 per cent. With more goods stacked on the same square metre of land, very high warehouses also save on site costs. These economic arguments have led to a proliferation of warehouses with very high eaves. Moreover, high bay sheds are getting higher.

Warehouses built in the 1980s with 10-12m eaves are being dwarfed by a new generation of behemoths. At Lutterworth in Leicestershire, distribution specialist Wincanton is operating a 275,000 sq ft automated warehouse with 24m eaves on behalf of Britvic, the soft drinks company.

Mr Nick Redwood of Chesterton, the chartered surveyors, notes that such high bay warehouses appeal to manufacturers rather than retailers. "Automated warehousing works best for companies handling very high volumes of relatively few product lines. This is principally the domain of manufacturers," he says.

The influence of manufacturing companies has implications for location of automated warehouses. While retailers tend to site warehouses close to market – usually their stores – manufacturers want warehousing within striking distance of their factories.

The snag for manufacturers is that high bay warehouses and the equipment on which they depend are expensive capital items.

For retailers – often handling thousands of product lines and concentrating on quick turn-around of goods – fully automated warehousing does not make such economic sense. Retail companies often prefer to use manual labour, which can be hired on short-term contracts to meet seasonal peaks in demand. Moreover, stacking goods up to 80 ft is pointless if they spend only a few hours in the warehouse. For these companies, high bay warehouses are likely to have eaves of no more than 14m. But what they lack in height, they make up for in width.

Mr John Duggan, managing director of Gazeley Properties, a subsidiary of Asda, the food retailer, points to a trend towards very large warehouses. Gazeley has recently built high bay warehouses of up to 450,000 sq ft for Argos, the catalogue retailer, in Basildon and Stoke-on-Trent.

Automated warehousing aside, high bay development has tended to focus on traditional distribution locations in the Midlands, notably the "golden triangle" formed by the M1, M4 and M69 motorways.

Property agents estimate that about 40 per cent of the UK's 34 million sq ft of high bay warehousing is concentrated in the east and west midlands. Unlike office blocks, however, there is no standard specification for warehousing. Each user is likely to demand a different configuration depending on the management of their overall supply chain.

This has not stopped speculative development of high bay warehousing. Gazeley – headquartered at Magna Park, Lutterworth – is currently marketing two large speculative developments, at Milton Keynes and Hemel Hempstead, Hertfordshire.

The 165,000 sq ft Apex Centre in Milton Keynes was forward-funded by British Airways Pension Fund in November 1994 under an agreement which assumed the building would be let at an initial yield of 8.25 per cent. As yet no tenant has been found for the building, which is adjacent to Junction 14 of the M1 motorway and boasts a 12m eaves height. This is bad news for Gazeley, which will see its development profit gradually erode until the rent starts flowing.

Moreover, investment yields on high bay warehousing have also drifted higher over the last two years. Figures from Hillier Parker, the chartered surveyors, show that prime investment yields on fully let warehouses have increased from under 6.5 per cent to about 7.25 per cent since 1994.

Rising yields – and, by implication, falling values – partly reflect the fact that high bay warehousing is no longer regarded by investment funds as a "hot" sector.

But the initial flood of capital into high bay warehousing has now diminished. Development activity peaked in 1995, when 31 big new warehouses were built, totalling 5.9 million sq ft. Hillier Parker expects about 22 new warehouses to open this year, declining to perhaps 14 in 1997.

■ **Location:** by Christine Moir

Testing the home truth

Reaction to the role of rail in the distribution network is decidedly mixed

The basic truism of real estate – that only three things count when it comes to property: location, location and location – is being challenged. Industry is increasingly prepared to put specification alongside the shibboleth of location as an equal priority.

The fact is that the days are long gone when occupiers were prepared to put up with anonymous buildings built to a uniform formula known as "institutional standard" because it met the minimum quality criteria of the investing institutions.

According to Mr Nick Redwood, Chesterton's director of business space and a specialist in distribution and warehousing in the UK, at least 75 per cent of all warehousing moves today are into bespoke facilities.

Material handling technology and information technology are the two main driving forces, of course. So powerful have they become that the Institute of Logistics is just about to publish Location is Not the Only Consideration: A Guide to Locating Industrial Facilities*. In addition to technology-driven requirements, it identifies a number of other factors which can influence demand.

Location is still the first factor to be considered when choosing a distribution facility. But locations vary in attraction to different users. Mr Redwood identifies three different distribution markets, each with their particular location demands:

- retailers
- manufacturers
- logistics providers.

Retailers, especially food retailers, are driven by where their markets lie. Their distribution centres must be very accurately located with reference to the delivery network. With 300-400 HGV movements a day at an average price of 1 per mile, siting a distribution centre 10 miles in the wrong direction can be an expensive mistake.

Manufacturers, naturally, are more sensitive to the link between their production base and storage sites. This sensitivity is enhanced by the increasing tendency for retailers to demand that manufacturers take primary responsibility for storage and distribution. Retailers want to do as little stockholding as possible. They would rather be supplied on a "just-in-time" basis by manufacturers.

By comparison with retailers, manufacturers usually have to deal with higher volumes of fewer lines. They are therefore better placed to consider the new generation of automated storage and distribution facilities, with their typical clear space height of as much as 25 metres. These are the so-called "high bay" units predicted to hold the future for UK distribution.

High bay units pose their own location needs. Mr Redwood ruefully admits that "they do not make good neighbours".

At present he can think of only seven sites suitable for a large facility between the M25 and what is regarded as the industrial "golden triangle" in England (delimited by the M1, M5, M6 and M47).

Evidence that the "golden triangle" continues to hold its position comes from the strong and rising land values on the main motorway hubs within it. The best pitches on the M25 take the lead, with serviced land fetching £500,000 per acre. The M4/M5 interchange takes second place at £350,000 though it can be overtaken by pockets along the M1 in the Birmingham area where land fetches between £250,000 and £500,000 per acre. The M40 comes into the same premier league, at £300,000.

Mr David Baker, a chartered surveyor who heads his own project consultancy and was also a member of the Institute of Logistics working party which produced the guideline, believes it is difficult to assess whether rail is beginning to affect the predominance of roads as far as location is concerned. "Some [of my clients] think rail important but they insist that rail ports must have inter-modal facilities with a direct link to primary trunking."

Even that cautious vote for rail is more than Mr Redwood will allow. "95 per cent of our enquiries do not want rail links", he insists. "If a site is on a road hub and it has rail links, that is seen as a benefit but almost none is prepared for rail alone."

Rail's main drawback is that it nearly always involves double handling. Even if the producer has on site rail distribution facilities, he cannot expect to deliver by rail into his customer's yard.

The most Mr Redwood will concede is that rail is suitable for high-volume, low-value products to be delivered over long distances – a minimum of 200 miles.

** Guideline No 8: Institute of Logistics. Price: £35 to members; £50 to non-members. Phone: 01536 205 500 Fax: 01536 400 979*

■ **Demand:** by Christine Moir

A supply problem looms

The next battle could be between the property landlords and the logistics providers

If the present economic upturn is not nipped in the bud by election frosts or sluggish Continental demand, a supply problem could loom over next year's warehouse market.

That is the inference from the forthcoming annual Big Sheds survey soon to be published by Chesterton. Over the past 12 months, it notes, the supply of high specification distribution units of more than 50,000 sq ft close to motorway networks has shrunk by 25 per cent.

The previous year, according to Chesterton's figures, demand was also steady (if not quite so high) with the result that shortages are already occurring at the most favoured spots. There is, for example, no new high bay warehouse available at Heathrow at present.

Although demand is not yet strong enough to produce immediate rental growth or to stimulate a rush of speculative building, Mr Nick Redwood, Chesterton's director of business space, predicts an imminent end to occupier incentives such as short leases, rent-free periods or accommodating lease breaks.

The occupiers' best riposte in the current state of the market, he thinks, is to hold back on sealing property moves until developers and market specialists produce facilities even more tightly tailored to their needs.

He is confident that companies today know very well what their distribution needs are and that the property market has evolved to meet those needs.

The Institute of Logistics may lament the fact that 50 per cent of companies do not formally monitor the cost of occupying their buildings. But it would be wrong to infer that half of all companies are thereby caught unawares by relocation or do not know how to specify their needs. Informal monitoring is widespread and while not, perhaps, ideal, can yield useful information.

Property analysts and consultants confirm that companies today take a long-term planning approach to their property needs and are in a position to wait for the building or site which meets their specification.

In turn, specialist industrial property developers have evolved to meet this growing sophistication by tailoring sites and facilities with particular specifications in mind.

This tendency had its beginning in the late 1970s and early 1980s.

As they invested in new storage facilities, the retailers strove to save costs by minimising their stockholding requirements at the expense of producers. In large measure they have succeeded. The sector which leads demand today is for so-called "big sheds". These are much more suited to manufacturers and producers with their higher volumes of limited lines than to the smaller parcels of wide ranges needed by retailers. Self evidently it is the manufacturers who need to find extra storage space today.

Mr Redwood foresees the next struggle as one between property landlords (particularly institutional investors) and the logistics providers, warehousing and storage specialists to whom 30 per cent of all distribution is now sub contracted.

At present there is an imbalance between the needs of these two parties. The institutional landlords want long leases (15 years at least) with security of income. Logistical contracts, by contrast, are typically for three or five years. The Institute of Logistics fears that if the sub-contractors force leases down to match the length of their contracts, institutions may lose interest in the market and new sources of funding may have to be found.

But there are other scenarios. Landlords might be prepared to offer shorter leases – at a premium rent. Alternatively, sub-contractors might be able to persuade their clients (the retailers and manufacturers) to take responsibility for the longer term by way of a head lease. Thirdly, several sub-contractors might group together to agree an occupation sequence.

The alternatives have one thing in common: they require a built-in flexibility of design to make the buildings attractive to the next comer in the chain. This fights to some degree against the trend to ever more "bespoke" facilities, but may be a useful check and balance against over-specification.

INTERNATIONAL CAPITAL MARKETS

Qatar liquefied gas project raises $1.2bn

INTERNATIONAL BONDS

By Richard Lapper and Conner Middelmann

A billion dollar plus transaction for a natural gas plant in Qatar took the eye yesterday, underlining the increasing importance of the international bond markets as a source of funding for infrastructure projects.

The $1.2bn bond for Ras Laffan Liquefied Natural Gas is thought to be twice the size of the previous largest project finance bond. The bonds are the first rated project debt in the Arab Gulf states and also the first rated long-term bond from the Gulf region, according to Standard and Poor's, the credit rating agency.

Ras Laffan's sponsors – Mobil QM Gas Inc, a subsidiary of Mobil Oil, and Qatar General Petroleum, the Qatar national petroleum company – are raising the $1.2bn bonds as part of a $2.4bn package, which also includes finance from banks and export credit agencies.

The bond consisted of two tranches: a 10-year $400m tranche, priced at 135 basis points over Treasuries and aimed mainly at investors in Europe and the Middle East and US insurance companies; and an 18-year $800m tranche for which it is expected most demand will come from US mutual funds and pension fund managers.

The bigger tranche was priced at 187½ basis points over Treasuries. Goldman Sachs, bookrunner, declined to comment on the deal. Goldman and CS First Boston were joint leads.

Elsewhere, the Korea Exchange Bank issued $200m of one-year floating-rate notes carrying a coupon of three-month Libor plus 10 basis points.

The yield at the re-offer price was Libor plus 15, significantly less than the 21-basis-point re-offer spread the borrower paid on a $100m one-year FRN as recently as September.

Lead manager Nomura International put the tightening down to increased investor interest in Korean assets following the announcement in October that the country is to join the OECD, pending a number of legislative changes.

Moreover, an official said, spread compression was likely to continue as Korea's credit perception improved. "Korea is rated AA–/A1, the same as Portugal," he said. Portugal's five-year D-Mark FRNs trade at around Libor less 2 basis points. He said the notes, which have a 20 per cent risk-weighting, saw good demand from commercial banks in continental Europe and the UK.

Two emerging market banks came to the market with small year-end offerings: Banco de Crédito Argentina issued $100m of two-year notes, puttable after one year at par, priced to yield 305 basis points over Treasuries. Lead manager Salomon Brothers reported sales to private investors in South America and Europe as well as European emerging market funds and Rule 144a investors in the US.

Another Latin bank name was Banco de Inversion y Comercio Exterior, which issued $100m of four-year bonds at a spread of 338 basis points over Treasuries via ING Barings.

Finally, Trinidad and Tobago returned to the market for the first time since 1994, with a $150m 10-year deal. Priced at 175 basis points over the 10-year Treasury, about half the bonds were sold to US investors, 30 to 35 per cent were placed in Europe, and the rest were sold to local buyers.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
[illegible]							
Eurofima‡	500bn	(g,s)	100.375	Aug 2006	0.50	-	BNL/Credito/San Paolo

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a1) Average life: 7.3 yrs. Plus 4 days accrued. a2) Average life: 15 yrs. Plus 4 days accrued. b) 3-mth Libor +10bp. c) Puttable on 18/12/97 at par. d) DM100m launched 15/11/96 was increased to DM220m. Callable on coupon dates from 15/10/99 at par. Amortises in 17 equal instalments from 15/4/04. Average life: 11½ yrs. d1) 13% to 15/10/99, then 10⅝%. e) Short 1st & last coupons. f) Legal maturity: 31/12/08. Average life: 8.5 yrs. Callable at 100¼% to Dec 98, then at par. f1) 3-mth Libor +50bp to Dec 06, then +250bp. f2) Class B: £11.2m, av life: 10 yrs, 3-mth L +70bp to Dec 06, then +270bp, par. f3) Class C: £17.6m, av life: 10 yrs, 3-mth L +125bp to Dec 06, then +325bp, par. g) 6-mth Libor -20bp. s) Short 1st coupon.

Resistance to terms on Mol loan facility

By Conner Middelmann

Hungary's largest company has sparked discontent in the syndicated loans market with the launch of a facility that many observers say is priced too tightly.

Mol, the oil and gas company, is to pay a margin of 25 basis points over London interbank offered rate (Libor) during the first three years of the $500m seven-year facility, rising to 30 basis points for the remainder of its life.

"Spreads have been falling in Hungary, it's true," said one banker. "But Mol is misreading the situation if it thinks it can set a new benchmark at these terms. This is one deal too far."

The race for tighter Hungarian price terms began last month when Matav, the telecommunications operator, secured a $250m five-year loan at a margin of 30 basis points over Libor.

While this was aggressive, it was seen as justified because Matav boasts strong foreign shareholders, and is a profitable company in a rapidly growing sector.

Matav's deal undercut the 50-basis-point margin the Hungarian government was paying on a facility set up in August, prompting the National Bank of Hungary (NBH) to reprice the facility.

NBH's negotiations for a cut in the margin to 20 basis points are still under way and have met with a mixed response.

While most relationship banks are thought to have stayed in the deal, several lenders with smaller commitments are said to have dropped out, creating a shortfall of around $50m.

As a result, bankers said, the facility may get scaled back, or the arranging banks will have to make up the difference.

Bankers expect Mol to face an even harder struggle. "It's bad enough getting only 20 basis points from NBH, but at least that's zero risk-weighted," said one banker. "Why anyone would want to take on a 100 per cent risk-weighted asset for seven years and paying such a small premium over NBH is beyond me."

Arranger Sumitomo Bank is putting together an arranging group. Several banks have declined its invitation, but some said they might reconsider their decision if the terms were modified. "We would happily join the deal if it were repriced at 35 to 40 basis points," said one dealer.

Mol illustrates the sharp decline in Hungarian margins over recent months. Earlier this year, it raised a $50m five-year term loan paying 100 basis points over Libor, and more recently it did a $60m refinancing at 75 basis points.

Some of this compression has been driven by supportive fundamentals: high bank liquidity due to large prepayments of loans by the Hungarian government, credit-rating upgrades and OECD membership. However, dealers say bank competition and borrowers' desire to obtain ever-cheaper pricings have driven margins to unjustifiable lows.

"Pricings have hit rock-bottom," said one banker. "We will need further fundamental improvements, such as another upgrade in the credit rating, before banks will be willing to move to lower levels."

Europe resumes fall, Treasuries lose early gains

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

European bonds resumed their fall yesterday, after Wednesday's negative session, while US Treasuries retreated in the afternoon after a morning rally.

UK and Irish gilts suffered the steepest falls. Liffe's March long gilt future settled near the day's lows at 108$\frac{13}{32}$, down $\frac{11}{32}$.

Traders were torn between conflicting signals from the Confederation of British Industry's monthly survey, which showed a fall in manufacturing output expectations, and retail price data depicting a stubborn inflation rate of 2.7 per cent, higher than the government's target of 2.5 per cent.

In the end, the bearish arguments prevailed as weakening bunds and Treasuries dragged gilts down.

In the cash market, the 10-year benchmark gilt fell $\frac{13}{32}$ to 98¾, its yield spread over bunds widening slightly to 193 basis points.

"At a spread of almost 200 basis points, gilts are cheap," said Ms Marie Owens Thomsen, chief economist at BIP-Dresdner Bank. "Gilts have a great potential to outperform in the medium term, because they are very far from their fair value."

She warned, however, that in the longer term the market could suffer as scepticism rises over the UK's likelihood of participating in European economic and monetary union as a founding member.

The 8 per cent Irish gilt due 2006 also lost ground, closing 0.75 lower at 107.35. A rise of 0.5 per cent in the consumer price index in the fourth quarter pushed the headline rate of inflation up to an annual 1.9 per cent, from 1.5 per cent in the third quarter.

However, Riada Stockbrokers in Dublin still expects Irish inflation to remain below the European average in 1997, as economic activity slows while growth in continental Europe accelerates.

Elsewhere in Europe, bond markets also fell as tension rose over EU finance ministers' negotiations for a stability pact after Emu. Italian and Swedish 10-year bonds fell ½ and ⅞, respectively, in what one analyst described as "the beginning of divergence".

"You cannot expect yields to converge non-stop from now until 1999," said Ms Owens Thomsen. BIP-Dresdner predicts a weakening of the US dollar during 1997, which would withdraw some of the support that the convergence process was receiving from a cheapening of the D-Mark.

According to Ms Owens Thomsen, the yield spread of 10-year Italian BTPs over equivalent German bunds could widen to around 200 basis points. This spread stood at 181 basis points yesterday.

US Treasury prices were mostly flat at midday yesterday, as traders took profits after an early rally inspired by economic data which showed there was no threat of inflationary pressures looming.

The benchmark 30-year Treasury shot up as much as a full point in early trading on news that retail sales had slipped 0.4 per cent in November.

Most economists had expected a gain of 0.2 per cent and early press reports indicated that sales were booming.

Economists at Donaldson, Lufkin & Jenrette said, that it was "too early to know for sure how the Christmas season is faring, but preliminary reports are certainly not as encouraging as press or retailers' reports have suggested, based on strong year-on-year comparisons".

Data on consumer prices were also friendly, with the consumer price index up 0.3 per cent, in line with expectations.

Bonds, however, proved unable to hold on to their early gains as the bearish tone that began amid Wednesday's sharp drop held sway.

By early afternoon in New York, the long bond was up ⅛ at 98$\frac{7}{32}$ to yield 6.615 per cent, while at the short end of the maturity spectrum the two-year note was unchanged at 99$\frac{31}{32}$, yielding 5.795 per cent. The March 30-year bond future added $\frac{1}{32}$ to 113$\frac{1}{32}$.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	6.750	11/06	95.6160	−0.270	7.38	7.19	7.38
Austria	5.875	07/06	99.2500	−0.400	5.97	5.86	6.07
Belgium	7.000	05/06	106.7800	−0.400	6.03	5.86	6.12
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London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9950	0.64	1.01	1.25	1.23	0.29	0.66	0.90	1.77
10000	0.36	0.72	0.97	1.01	0.51	0.87	1.12	2.05
10050	0.17	0.49	0.73	0.82	0.82	1.14	1.38	2.36

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Dec 12	Day's change %	Wed Dec 11	Accrued interest	xd adj. ytd		Low coupon yield Dec 12	Dec 11	Yr. ago	Medium coupon yield Dec 12	Dec 11	Yr. ago	High coupon yield Dec 12	Dec 11	Yr. ago
1 Up to 5 years (21)	120.66	−0.08	120.76	2.23	9.44	5 yrs	7.31	7.27	6.85	7.37	7.30	6.87	7.41	7.36	6.94
2 5-15 years (19)	147.74	−0.34	148.24	1.94	11.68	15 yrs	7.81	7.75	7.59	7.77	7.72	7.63	7.74	7.70	7.71
3 Over 15 years (7)	167.51	−0.37	168.12	3.27	11.85	20 yrs	7.85	7.81	7.67	7.79	7.75	7.71	7.75	7.72	7.77
[illegible]															

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

[illegible]

FT Fixed Interest Indices

[illegible]

Gilt Edged Activity Indices

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

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CURRENCIES AND MONEY

Sterling rises as traders expect rate hike

MARKETS REPORT

By Simon Kuper

The pound gained against the D-Mark and the dollar yesterday, retracing more of its losses of last week, as traders continued to expect UK interest rate rises.

Sterling had opened lower in London after comments by Mr Eddie George, governor of the Bank of England, late on Wednesday that the currency's recent strong rise might not last. But the pound rebounded when UK inflation data emerged strong, as expected, firming the market's view that Mr Kenneth Clarke, the chancellor, would raise rates after his January monetary meeting with Mr George. The December 11 monetary meeting now seems unlikely to produce a rate hike.

The pound rose 0.8 pfennigs against the D-Mark to DM2.560 and 0.3 cents against the dollar to $1.658 in London yesterday.

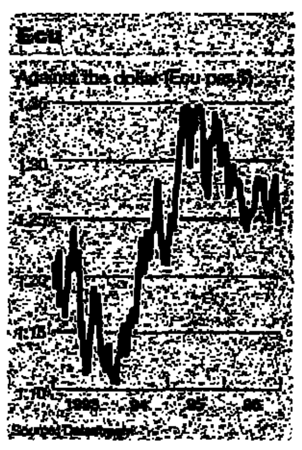
The dollar gained Y0.5 against the yen to Y113.4 on reports that Kampo, the Japanese postal fund, would not hedge against a fall in the US currency because it believed the present dollar/yen rate was relatively stable. There had been rumours that Kampo would hedge its foreign bond holdings.

The dollar also briefly received a boost from weak US inflation data and a fall in November retail sales. These figures suggested a US rate rise was still some way off, encouraging stock and bond markets to rise. But the dollar lost some ground later in the day when the US asset markets slipped back. The dollar closed little changed against the D-Mark at DM1.544.

But it was a quiet day in a slow week on the currency markets. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "We are getting to the time of year when there is not much interest."

Trading in European exchange rate mechanism currencies was particularly quiet, as it has been all week ahead of the European Union's Dublin summit. EU finance ministers were meeting in the Irish capital yesterday to try to agree a stability pact for European monetary union. The pact would set down fiscal targets that states joining Emu would have to meet for years into the future.

Mr Jacques Chirac, the French president, said he expected a pact to be agreed, although other politicians dissented. Most currency strategists expect a pact to emerge in outline from Dublin. But Mr Hawkins warned: "If the politicians do come out with nothing, the markets will take it as a sign that they can't agree." That would help the D-Mark and hit the lira and the peseta.



■ Pound in New York

Dec 12	Latest	Prev. close
£ spot	1.6575	1.6515
1 mth	1.6568	1.6508
3 mth	1.6543	1.6481
1 yr	1.6413	1.6348

■ A growing number of economists have been expecting US interest rates to rise since Mr Alan Greenspan, chairman of the Federal Reserve, warned last week of the risk of "irrational exuberance" affecting the asset markets. A rate hike could be the Fed's method of preventing rising asset prices from causing generalised inflation.

But what would a rate increase do to the dollar? Mr Peter von Maydell, senior currency economist at UBS in London, said it would boost the currency. "Historically the dollar reacts positively to a shift of interest rate differentials in its favour." He acknowledged that when rates rose in 1994, the dollar fell, but said that case was the exception.

Mr Hawkins takes the opposite view. In the present climate, he said, a US rate rise would hurt the dollar. That was because the dollar was tending to follow movements in US stock and bond markets. A rate hike would hit these markets, thus reducing flows into the dollar. "Where go the asset markets, there goes the dollar," Mr Hawkins said.

■ The Confederation of British Industry warned that the pound's present strength, if it continued, could reduce gross domestic product growth by more than 25 basis points next year. That accords with the queue of UK companies that have recently said the strong pound is eating into their profits. Statements of this kind could raise pressure on the government to weaken sterling. So far Mr Clarke has appeared to follow a hands-off policy.

The CBI said that if the pound stayed at an index level of about 91.7 against a trade weighted basket of currencies, GDP growth would be 2.75 per cent in 1997 rather than the 3.1 per cent presently forecast. The pound's index level at yesterday's London close was 93.1

■ OTHER CURRENCIES

Dec 12	£	$
Czech Kr	45.0806 - 45.1365	27.1930 - 27.2130
Hungary	264.880 - 265.094	159.720 - 159.820
Iran	4875.80 - 4973.40	3000.00 - 3000.00
Kuwait	0.4985 - 0.4976	0.2996 - 0.3000
Poland	4.7247 - 4.7330	2.8500 - 2.8530
Russia	9194.21 - 9191.86	5540.00 - 5542.00
UAE	6.0886 - 6.0920	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0159	+0.0584	070 - 235	18.0295	17.8068	17.9718	2.9	17.9153	2.2	-	-	104.5
Belgium	(BFr)	52.7847	+0.1624	429 - 264	52.8260	52.1560	52.6597	2.8	52.3947	3.0	51.1997	3.0	105.1
Denmark	(DKr)	9.8023	+0.0287	983 - 063	9.8085	9.6888	9.7824	2.4	9.7418	2.5	9.5829	2.4	108.9
Finland	(FM)	7.6562	+0.0189	532 - 592	7.6660	7.5790	-	-	-	-	-	-	84.5
France	(FFr)	8.8610	+0.022	580 - 639	8.8639	8.7489	8.8402	2.9	8.5985	2.9	8.3939	3.1	107.9
Germany	(DM)	2.5601	+0.0083	590 - 612	2.5615	2.5275	2.5536	3.0	2.5403	3.1	2.4755	3.3	107.2
Greece	(Dr)	404.634	+1.653	454 - 815	404.820	399.365	-	-	-	-	-	-	68.8
Ireland	(I£)	0.9973	-	966 - 980	0.9982	0.9925	0.997	0.4	0.996	0.5	0.9894	0.8	102.6
Italy	(L)	2533.70	+8.18	248 - 494	2535.00	2501.17	2537.5	-1.8	2545	-1.8	2549.5	-0.6	77.7
Luxembourg	(LFr)	52.7847	+0.1624	429 - 264	52.8260	52.1560	52.6597	2.8	52.3947	3.0	51.1997	3.0	105.2
Netherlands	(Fl)	2.8713	+0.0088	698 - 727	2.8733	2.8381	2.8635	3.3	2.848	3.2	2.7745	3.4	105.1
Norway	(NKr)	10.7219	+0.0584	168 - 270	10.7394	10.5782	10.7094	1.4	10.6804	1.2	10.5844	1.3	99.5
Portugal	(Es)	256.679	+1.018	334 - 825	256.865	253.433	256.874	-0.9	259.244	-0.9	-	-	95.3
Spain	(Pta)	215.606	+0.847	514 - 701	215.701	213.040	215.772	-0.9	216.003	-0.7	216.003	-0.2	79.4
Sweden	(SKr)	11.2924	+0.0475	822 - 025	11.3025	11.1853	11.2912	0.1	11.2886	0.1	11.2762	0.1	88.0
Switzerland	(SFr)	2.1781	+0.0041	767 - 794	2.1795	2.1543	2.1701	4.4	2.1549	4.3	2.0834	4.4	105.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	93.1
Ecu	-	1.3296	+0.0043	289 - 303	1.3305	1.3156	1.3276	1.8	1.3232	1.9	1.3017	2.1	-
SDR†	-	1.148010	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6580	+0.0025	575 - 584	1.6587	1.6463	-	-	-	-	-	-	-
Brazil	(R$)	1.7189	+0.0018	183 - 195	1.7195	1.7073	-	-	-	-	-	-	-
Canada	(C$)	2.2508	-0.0053	488 - 517	2.2572	2.2361	2.2458	2.7	2.2348	2.8	2.1758	3.3	85.0
Mexico	(New Peso)	13.1139	+0.0405	986 - 311	13.1311	13.0353	-	-	-	-	-	-	-
USA	($)	1.6582	+0.0025	578 - 586	1.6590	1.6466	1.6574	0.6	1.6549	0.8	1.6411	1.0	97.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0915	+0.0016	903 - 926	2.0926	2.0745	2.0928	-0.7	2.0935	-0.4	2.0931	-0.1	94.3
Hong Kong	(HK$)	12.8270	+0.0218	231 - 309	12.8310	12.7349	12.8197	0.7	12.8058	0.7	12.7412	0.7	-
India	(Rs)	59.5045	-0.134	467 - 603	59.5610	59.0500	-	-	-	-	-	-	-
Israel	(Shk)	5.4413	+0.0041	349 - 477	5.4480	5.4092	-	-	-	-	-	-	-
Japan	(Y)	187.965	+1.119	845 - 085	188.000	185.040	187.035	5.9	185.18	5.9	176.765	6.0	128.9
Malaysia	(M$)	4.1832	+0.0087	813 - 850	4.1860	4.1513	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3711	-0.0076	693 - 728	2.3730	2.3557	2.3779	-3.4	2.3873	-2.7	2.4081	-1.6	110.8
Philippines	(Peso)	43.6024	+0.074	173 - 875	43.6888	43.3688	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.2192	+0.0095	174 - 209	6.2210	6.1754	-	-	-	-	-	-	-
Singapore	(S$)	2.3198	+0.0033	184 - 212	2.3217	2.3046	-	-	-	-	-	-	-
South Africa	(R)	7.8889	+0.1543	828 - 949	7.8950	7.8984	-	-	-	-	-	-	-
South Korea	(Won)	1402.01	+12.13	084 - 318	1403.28	1384.32	-	-	-	-	-	-	-
Taiwan	(T$)	45.6005	+0.0687	563 - 447	45.6448	45.2755	-	-	-	-	-	-	-
Thailand	(Bt)	42.4002	+0.0937	734 - 270	42.4260	42.0680	-	-	-	-	-	-	-

† Rates for Dec 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.8644	+0.0188	620 - 667	10.8880	10.8030	10.8497	1.6	10.8044	2.2	10.6094	2.3	105.1
Belgium	(BFr)	31.8325	+0.05	150 - 500	31.8800	31.6670	31.7725	2.3	31.645	2.4	31.105	2.3	105.1
Denmark	(DKr)	5.9114	+0.0084	104 - 124	5.9260	5.8827	5.9025	1.8	5.8841	1.8	5.8024	1.8	108.4
Finland	(FM)	4.6190	+0.0045	165 - 215	4.6277	4.6010	4.6102	2.3	4.5915	2.4	4.509	2.4	84.1
France	(FFr)	5.3231	+0.0054	228 - 236	5.3327	5.1965	5.2147	1.9	5.1957	2.0	5.1211	2.0	107.5
Germany	(DM)	1.5439	+0.0027	436 - 442	1.5475	1.5350	1.541	2.3	1.5351	2.3	1.5103	2.2	106.8
Greece	(Dr)	244.020	+0.85	970 - 070	244.680	242.350	245.576	-7.8	248.145	-6.8	259.17	-6.2	66.5
Ireland	(I£)	1.6626	+0.0025	620 - 635	1.6635	1.6510	1.6623	0.3	1.662	0.2	1.6591	0.2	-
Italy	(L)	1527.98	+2.63	760 - 835	1532.25	1518.62	1531.15	-2.5	1537.58	-2.5	1550.63	-1.5	77.4
Luxembourg	(LFr)	31.8325	+0.05	150 - 500	31.8800	31.6670	31.7725	2.3	31.645	2.4	31.105	2.3	105.1
Netherlands	(Fl)	1.7316	+0.0027	311 - 320	1.7359	1.7232	1.7278	2.6	1.7198	2.7	1.6943	2.7	105.1
Norway	(NKr)	6.4660	+0.0255	645 - 675	6.4840	6.4188	6.4623	0.7	6.4566	0.6	6.431	0.5	99.2
Portugal	(Es)	156.000	+0.36	950 - 050	156.320	155.090	156.205	-1.6	156.5	-1.8	157.275	-0.8	95.7
Spain	(Pta)	130.025	+0.315	000 - 050	130.260	129.350	130.205	-1.7	130.465	-1.4	131.13	-0.8	79.4
Sweden	(SKr)	6.8100	+0.0184	055 - 145	6.8250	6.7792	6.8072	0.5	6.7973	0.7	6.75	0.8	87.7
Switzerland	(SFr)	1.3135	+0.0006	130 - 140	1.3195	1.3080	1.3096	3.5	1.3018	3.5	1.269	3.4	105.5
UK	(£)	1.6582	+0.0025	578 - 586	1.6590	1.6466	1.6574	0.6	1.6549	0.8	1.6411	1.0	92.7
Ecu	-	1.2472	-0.0021	468 - 475	1.2521	1.2449	1.2486	-1.3	1.2517	-1.4	1.2683	-1.7	-
SDR†	-	0.693336	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0366	-0.0005	365 - 367	1.0376	1.0365	-	-	-	-	-	-	-
Canada	(C$)	1.3574	-0.0053	571 - 576	1.3613	1.3560	1.355	2.1	1.35	2.2	1.3225	2.6	84.1
Mexico	(New Peso)	7.9085	+0.0125	000 - 170	7.9170	7.9000	8.0265	-17.9	8.293	-19.4	9.1535	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2613	-0.0009	609 - 617	1.2623	1.2598	1.2628	-1.4	1.2647	-1.1	1.2702	-0.7	95.5
Hong Kong	(HK$)	7.7355	+0.0015	350 - 360	7.7375	7.7325	7.7354	0.0	7.7359	0.0	7.7347	-0.1	-
India	(Rs)	35.8850	-0.135	400 - 100	35.9200	35.8400	36.1	-7.2	36.56	-7.5	-	-	-
Israel	(Shk)	3.2815	-0.0024	784 - 845	3.2849	3.2760	-	-	-	-	-	-	-
Japan	(Y)	113.355	+0.505	310 - 400	113.550	112.400	112.88	5.0	111.875	5.2	107.575	5.0	129.9
Malaysia	(M$)	2.5227	+0.0014	222 - 232	2.5238	2.5195	2.5255	-1.4	2.5309	-1.3	2.5592	-1.2	-
New Zealand	(NZ$)	1.4299	-0.0088	292 - 305	1.4307	1.4290	1.4354	-4.6	1.4397	-2.7	1.4712	-2.9	-
Philippines	(Peso)	26.2950	+0.005	500 - 400	26.3400	26.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7507	3.7504	3.7508	-0.1	3.7513	-0.1	3.7592	-0.1	-
Singapore	(S$)	1.3990	-0.0001	985 - 995	1.3999	1.3985	1.3968	1.8	1.3922	1.9	1.371	2.0	-
South Africa	(R)	4.7575	+0.068	550 - 600	4.7600	4.6730	4.7962	-10.3	4.8732	-9.7	5.188	-8.0	-
South Korea	(Won)	845.500	+6.05	000 - 000	846.000	844.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	800 - 200	27.5200	27.4800	27.5003	0.0	-	-	-	-	-
Thailand	(Bt)	25.5700	+0.018	600 - 800	25.5800	25.5300	25.68	-4.2	25.8275	-4.0	26.465	-3.5	-

† SDR rate per $ for Dec 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 11: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

December 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3½	3⅛	3⅛	3⅛	3⅛	6.00	2.50	-
France	3⅞	3⅞	3⅞	3⅞	3½	3.20	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.00
Ireland	5⅞	5⅞	5⅞	6	6⅛	-	-	6.25
Italy	8⅝	7⅞	7⅝	6⅝	6⅞	9.00	7.50	7.63
Netherlands	2⅝	2⅞	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	1½	2	2	2	2⅛	-	1.00	-
US	5⅛	5⅞	5⅞	5⅞	5⅞	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅝	5⅝	-	-	-
US Dollar CDs	-	4.75	5.04	5.13	5.28	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	3½ - 3⅛	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3⅞
D-Mark	3⅛ - 2⅞	3⅛ - 3	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Dutch Guilder	2⅞ - 2⅞	3 - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛
French Franc	3⅞ - 3⅞	3⅞ - 3⅞	3⅝ - 3	3⅞ - 3⅞	3⅞ - 3⅞	3½ - 3⅛
Portuguese Esc.	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅝ - 6½	6⅝ - 6⅝	6⅝ - 6⅛
Spanish Peseta	6⅞ - 6⅞	6⅝ - 6⅞	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅛
Sterling	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛	6⅞ - 6⅝	6½ - 6⅞	6⅞ - 6⅞
Swiss Franc	1⅞ - 1⅞	1⅝ - 1½	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛
Can. Dollar	3¼ - 3⅛	3⅛ - 2⅞	3⅛ - 3	3⅜ - 3⅜	3¼ - 3⅛	3⅞ - 3⅞
US Dollar	5⅞ - 5⅛	5⅜ - 5¼	5⅞ - 5⅞	5½ - 5⅞	5⅞ - 5½	5⅞ - 5⅞
Italian Lira	8⅝ - 7¾	7⅞ - 7⅝	7⅝ - 7½	7¼ - 7⅞	6⅞ - 6⅞	6⅝ - 6½
Yen	½ - ½	½ - ½	½ - ¼	⅜ - ½	½ - ½	½ - ½
Asian $Sing	2⅝ - 2½	2⅞ - 2¾	3¼ - 3⅛	3⅜ - 3¼	3⅞ - 3⅞	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.52	96.55	+0.04	96.55	96.52	11,161	34,236
Mar	96.57	96.60	+0.06	96.60	96.57	12,932	62,458
Jun	96.53	96.56	+0.06	96.56	96.53	5,570	36,439

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.75	96.76	+0.01	96.77	96.75	18000	187104
Mar	96.84	96.85	+0.02	96.87	96.84	23347	207008
Jun	96.79	96.80	+0.02	96.82	96.78	20565	170339
Sep	96.65	96.66	+0.02	96.68	96.65	11654	138581

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.68	96.70	+0.01	96.70	96.68	358	3824
Jan	96.89	96.90	+0.01	96.91	96.89	1020	7729
Feb	96.89	96.90	+0.01	96.91	96.89	2550	4100
Mar	-	96.89	+0.01	-	-	0	1210

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.75	92.71	-0.04	92.77	92.70	8659	56047
Mar	93.50	93.46	-0.04	93.53	93.43	12554	84397
Jun	93.85	93.82	-0.03	93.89	93.79	3008	51114
Sep	93.99	93.94	-0.05	94.02	93.94	2095	29067

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.90	97.93	+0.07	97.94	97.87	4476	24402
Mar	98.01	98.11	+0.12	98.11	97.99	11917	37144
Jun	97.96	98.03	+0.08	98.04	97.94	3680	16309
Sep	97.87	97.88	+0.08	97.89	97.82	1286	6477

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.49	+0.01	-	-	0	n/a
Mar	-	99.45	+0.01	-	-	0	n/a
Jun	-	99.34	+0.03	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.81	95.80	-	95.82	95.80	485	7649
Mar	95.89	95.88	-	95.91	95.87	963	8586
Jun	95.90	95.89	+0.01	95.91	95.89	285	4278
Sep	95.86	95.85	+0.02	95.86	95.84	60	3156

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.21	1.00	1.40	0	0.04	0.08
9275	0.01	0.77	1.17	0.05	0.06	0.10
9300	0	0.56	0.96	0.29	0.10	0.14

Est. vol. total, Calls 2725 Puts 1844. Previous day's open int., Calls 121254 Puts 101896

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.57	16.41	4.850	1.889	4801	5.440	20.31	490.1	408.5	21.39	4.127	1.895	4.265	3.141	356.2	2.520
Denmark	(DKr)	53.85	10	8.836	2.612	1.017	2585	2.929	10.94	263.9	220.0	11.52	2.222	1.020	2.296	1.691	191.8	1.357
France	(FFr)	60.94	11.32	10	2.956	1.151	2926	3.315	12.38	298.7	248.9	13.04	2.515	1.155	2.599	1.914	217.1	1.536
Germany	(DM)	20.62	3.829	3.383	1	0.389	989.8	1.121	4.188	101.1	84.22	4.410	0.851	0.391	0.879	0.648	73.44	0.520
Ireland	(I£)	52.94	9.831	8.687	2.568	1	2542	2.880	10.75	259.5	216.2	11.32	2.185	1.003	2.258	1.663	188.6	1.334
Italy	(L)	2.083	0.387	0.342	0.101	0.039	100.	0.113	0.423	10.21	8.508	0.446	0.086	0.039	0.089	0.065	7.419	0.052
Netherlands	(Fl)	18.38	3.414	3.017	0.892	0.347	882.8	1	3.734	90.11	75.10	3.932	0.759	0.348	0.784	0.577	65.48	0.463
Norway	(NKr)	49.24	9.144	8.079	2.388	0.930	2364	2.678	10	241.3	201.1	10.53	2.032	0.933	2.100	1.547	175.4	1.241
Portugal	(Es)	20.40	3.789	3.348	0.990	0.385	979.5	1.110	4.144	100.	83.34	4.364	0.842	0.387	0.870	0.641	72.67	0.514
Spain	(Pta)	24.48	4.546	4.017	1.187	0.462	1175	1.332	4.972	120.0	100.	5.237	1.010	0.464	1.044	0.769	87.20	0.617
Sweden	(SKr)	46.75	8.682	7.671	2.267	0.883	2244	2.543	9.495	229.1	191.0	10	1.929	0.886	1.994	1.469	166.5	1.178
Switzerland	(SFr)	24.23	4.500	3.977	1.175	0.458	1163	1.318	4.922	118.8	98.99	5.184	1	0.459	1.034	0.761	86.32	0.611
UK	(£)	52.78	9.802	8.661	2.560	0.997	2534	2.871	10.72	258.7	215.6	11.29	2.178	1	2.251	1.658	188.0	1.330
Canada	(C$)	23.45	4.355	3.848	1.137	0.443	1126	1.275	4.762	114.9	95.78	5.016	0.968	0.444	1	0.737	83.52	0.591
US	($)	31.83	5.912	5.224	1.544	0.601	1528	1.732	6.466	156.0	130.0	6.809	1.314	0.603	1.358	1	113.4	0.802
Japan	(Y)	28.07	5.214	4.607	1.362	0.530	1348	1.527	5.702	137.6	114.7	6.005	1.159	0.532	1.197	0.882	100.	0.707
Ecu		39.68	7.370	6.512	1.925	0.750	1905	2.159	8.060	194.5	162.1	8.489	1.638	0.752	1.692	1.247	141.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6489	0.6485	-0.0038	0.6503	0.6465	7,558	41,271
Mar	0.6541	0.6504	-0.0036	0.6551	0.6500	29,133	38,911
Jun	0.6546	0.6546	-0.0033	0.6546	0.6546	290	4,390

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8869	0.8812	-0.0041	0.8890	0.8808	9,336	32,052
Mar	0.8975	0.8926	-0.0042	0.9008	0.8921	20,863	42,218
Jun	0.9065	0.9050	-0.0033	0.9065	0.9060	100	1,158

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7617	0.7585	-0.0051	0.7632	0.7582	7,443	36,141
Mar	0.7700	0.7645	-0.0054	0.7720	0.7643	33,201	38,817
Jun	-	0.7720	-0.0046	-	0.7715	529	1,334

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6492	1.6504	-0.0010	1.6522	1.6470	4,264	37,330
Mar	1.6466	1.6480	-	1.6510	1.6426	9,282	18,492
Jun	1.6420	1.6420	-0.0020	1.6450	1.6420	2	2,205

UK INTEREST RATES

LONDON MONEY RATES

Dec 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 5	6 - 5¾	6⅛ - 5⅞	6¼ - 6⅛	6⅛ - 6⅛	6⅞ - 6⅞
Sterling CDs	-	-	6⅛ - 6⅛	6⅜ - 6⅞	6⅞ - 6⅜	6⅞ - 6¾
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 6	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6⅞ - 6⅞	6⅞ - 6¾
Discount Market deps	5⅞ - 5¼	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Dec 6, 6.0773pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 29, 1996. Agreed rate for period Dec 25, 1996 to Jan 25, 1997, Scheme III 7.61pc. Reference rate for period Nov 1, 1996 to Nov 29, 1996, Schemes IV & V 6.373pc. Finance House Base Rate 6½pc from Dec 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.60	93.63	+0.03	93.64	93.59	10240	89067
Mar	93.43	93.43	+0.01	93.46	93.40	14002	96109
Jun	93.15	93.15	+0.01	93.17	93.12	12361	88773
Sep	92.93	92.92	-0.01	92.96	92.91	6614	55802
Dec	92.77	92.72	-0.03	92.77	92.71	4215	40836

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.15	0.12	0.10	0.02	0.19	0.45
9375	0	0.04	0.05	0.12	0.36	0.65
9400	0	0.01	0.02	0.37	0.58	0.87

Est. vol. total, Calls 5100 Puts 980. Previous day's open int., Calls 249838 Puts 171735

EMS EUROPEAN CURRENCY UNIT RATES

Dec 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.756259	+0.000803	-5.31	7.08	36
Finland	5.85424	5.78776	-0.00571	-1.14	2.55	8
Portugal	197.398	195.620	+0.17	-0.90	2.31	6
Spain	163.826	163.053	+0.078	-0.47	1.87	3
Netherlands	2.16979	2.17232	+0.00036	0.12	1.27	-1
Italy	1906.48	1915.33	+0.69	0.46	0.92	-3
Belgium	39.7191	39.9170	-0.0049	0.50	0.88	-4
Germany	1.92573	1.93615	-0.00003	0.54	0.84	-5
Austria	13.5485	13.6251	+0.0003	0.57	0.81	-4
Denmark	7.34555	7.41615	-0.00042	0.96	0.42	-7
France	6.45863	6.54805	-0.00584	1.38	0.00	-12
NON ERM MEMBERS						
Greece	295.269	306.111	+0.288	3.67	-2.21	-
UK	0.793103	0.758593	+0.000719	-4.35	6.00	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.640	1.20	2.18	2.78	0.14	1.19	1.98
1.650	0.55	1.63	2.31	0.55	1.64	2.43
1.660	0.18	1.20	1.88	1.12	2.21	2.99

Previous day's vol., Calls 656 Puts 168 . Prev. day's open int., Calls 34,319 Puts 67,317

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
0.640	1.10	1.41	-	0.02	0.21	0.41
0.645	0.67	1.05	1.39	0.11	0.35	0.55
0.650	0.33	0.75	1.10	0.23	0.54	0.76

Previous day's vol., Calls 1,701 Puts 7,198 . Prev. day's open int., Calls 39,368 Puts 37,092

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.47	94.45	-0.01	94.47	94.45	43,959	351,375
Mar	94.43	94.45	+0.01	94.47	94.42	97,142	400,166
Jun	94.29	94.32	+0.02	94.35	94.27	128,636	305,760

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.02	95.02	+0.01	95.03	95.01	419	4,765
Jun	94.89	94.89	-	94.91	94.88	53	2,142
Sep	-	94.80	+0.01	94.83	-	4	16

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9675	0.02	0.13	0.15	0.17	0.01	0.03	0.05	0.07
9700	0	0.01	0.03	0.05	0.24	0.16	0.18	0.20
9725	0	0	0	0.01	0.49	0.40	0.40	0.41

Est. vol. total, Calls 10809 Puts 5640. Previous day's open int., Calls 526993 Puts 356582

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.03	0.31	0.39	0.10	0.20	0.36
9825	0.01	0.15	0.25	0.33	0.29	0.47

Est. vol. total, Calls 0 Puts 50. Previous day's open int., Calls 9311 Puts 4945

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	•Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Singer & Friedlander	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	•Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	•Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
•Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		*Mount Credit Corp	6.25		

• Members of London Investment Banking Association
* In administration

ETBA FINANCE S.A.
FINANCIAL & ECONOMIC SERVICES S.A.
(former GREEK EXPORTS S.A.)
INVITATION
FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF "A. LEKKAS & BROS. TEXTILE CO. S.A."

ETBA FINANCE FINANCIAL AND ECONOMIC SERVICES S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator, in accordance with Decision No. 11675/95 of the Athens Court of Appeal, of the above company which is currently under special liquidation as per article 46a of Law 1892/1990 and its amendments, and following the instructions of the creditors, ETBA S.A. and the National Bank of Greece S.A., as per par. 1 of article 46a of Law 1892/1990,

INVITES

interested investors to express their interest in purchasing the assets of A. Lekkas & Bros Textile Co. SA presently under special liquidation, by submitting within the twenty (20) days from today a written, non-binding expression of interest.

BRIEF DESCRIPTION OF THE COMPANY UNDER LIQUIDATION

[illegible]

COMMODITIES AND AGRICULTURE

Uphill struggle for pulp futures plan

By Bernard Simon in London and Greg McIvor in Stockholm

Backers of an international pulp and paper futures market are struggling to persuade the forest products industry to support their plans, in spite of a widespread desire to avoid the wild price swings that are a hallmark of the sector.

The idea of a futures market gained momentum in 1995 and early this year after a boom and bust cycle saw pulp prices double and then halve in less than three years.

Mr Edward Swan, a partner at UK law firm McKenna & Co, told yesterday's session of the annual world pulp and paper conference organised by the Financial Times that a futures market was "going to take you out of the betting parlour".

McKenna is among backers of the proposed Liverpool Derivatives Exchange (Livedex), which aims to start screen-based trading in three pulp and paper futures contracts by next November. There are also plans for futures contracts in Helsinki and Hanover but progress has been slow.

An exchange for pulp options and futures was due to open in Helsinki this autumn but was delayed after Finland's financial supervisory authority blocked market-making by banks and securities brokers.

When trading starts, the exchange will have to overcome the conservatism of the pulp and paper industry, but its biggest hurdle will be to establish a credible benchmark price, because settlement will be in cash rather than physical delivery.

There have been fears that the benchmark index might be open to manipulation, although the Finnish Options and Futures Exchange is confident its model will work.

A rival pulp futures exchange is to be set up in London next year by OM Group, the Swedish derivatives exchange operator. Settlement will be by physical delivery. Many industry executives are sceptical a futures market can work. One Canadian pulp producer said the forest products industry was too fragmented among different kinds of producers, processors and consumers.

Mr Peter Ingram, another Livedex backer, said it was a long, slow process. "More people think it's the right thing to do, but remain to be convinced that the mechanism can be established," he said.

Mr Swan declined to identify investors in Livedex, which is also examining futures contracts in cotton, airline frequent flyer points, and telecommunications time slots.

The Livedex steering group comprises a number of non-commodities companies which hope the Liverpool project can be a trail-blazer for other electronic exchanges.

The steering group is considering sites in central Liverpool and is seeking a chief executive.

Three basic contracts have been identified for futures: northern bleached softwood craft (NBSK), the pulp market benchmark; photocopier paper; and newsprint.

Mr Swan estimated that Livedex would need to trade between 2,000 and 3,000 contracts a day to be viable. He said price volatility of between 10 and 20 per cent was needed to justify a futures market.

Backers of futures markets were encouraged by a straw poll among conference participants. They predicted that the NBSK, currently at about $560 per tonne, could be anywhere between $475 and $510 this time next year.

Soyabean prices up on export estimates

MARKETS REPORT

By Laurie Morse in Chicago and Deborah Hargreaves in London

Soyabean prices in Chicago jumped yesterday after the US Department of Agriculture raised its projections for the country's soyabean exports. The USDA also said reserves after exports and domestic processing needs were met would fall below last year's levels.

Soyabeans are crushed to make high-protein animal feed and cooking oils. US soyabean exports and local crushing figures both reached records in the first quarter of this marketing year, so revisions had been expected, but traders were surprised the US boosted the export figure by an aggressive 30m bushels.

The agency now estimates US soyabean supplies will be 180m bushels at the end of the 1996–97 marketing year, below last year's 183m, and last month's 210m estimate.

Futures for January delivery on the Chicago Board of Trade rose 7¾ cents per bushel by midday, to $6.99.

Wheat prices were also higher in Chicago as traders extended gains made on Wednesday. Although the USDA left most of its estimates for US wheat production and use unchanged in its report, talk that India was seeking to buy 500,000 tonnes on world markets boosted prices. Wheat futures for March delivery rose 3¾ cents a bushel to $3.86 in early trading.

Crude oil prices rose slightly after the falls of the previous two days.

After reaching $22.60 a barrel near midday, Brent Blend for January delivery was at $22.35 in late trading after closing on Wednesday at $22.15.

Vietnam plays down coffee mould problem

By Jeremy Grant in Hanoi

Traders in Vietnam yesterday played down market concern over mould damage to the country's coffee crop, saying only a modest amount of the current October-March season's harvest had been affected.

But they added that, although rain lashing the main coffee-producing area of Daklak had subsided in the past few days, the weather was still not clear enough to allay concerns over further mould as the harvest gathers pace.

"We are seeing some lower quality as a result of the rain but it's not as though farmers are wheeling in very high levels of mould," said one Daklak-based trader. "We see some coming in with very little mould and some with 2 to 3 per cent mould-damaged."

Reports earlier this week put the mould rate at between 3 and 4 per cent. Vietnamese regulations say a rate of up to 0.2 per cent is acceptable, and local trade officials insist that quality has not been affected by the six-week rains.

The trader said the harvest had yet to peak and farmers had been holding back on picking to an extent because of the rains. But he added that the next two weeks would be critical. "At least there's no rain, but we're also not seeing any sunshine," he said.

Trade has slowed in east Asia because of confusion among overseas traders over the extent of the mould and its effect on production of coffee in Vietnam, which is the second-largest producer of robusta beans in Asia after Indonesia.

However, one Ho Chi Minh City-based trader said there certainly had been some mould – and that some of it had arrived in Antwerp. "But I would say the problem has been rather exaggerated," he added. "We had our best month [of bookings] last month."

Grade two robusta was quoted yesterday at $950 a tonne FOB Saigon Port.

The Daklak trader said that most of the beans harvested last week – amounting to between 10 per cent and 15 per cent of the total crop – were affected by mould, but that this week's hauls were showing improved quality.

Clearer skies had encouraged farmers to speed up harvesting in the province, which accounts for about two-thirds of Vietnam's total coffee production. Increased acreage was likely to result in higher output, of 150,000 tonnes this year, up from 110,000 tonnes last year, the Daklak trader said.

An official at the Ho Chi Minh City branch of Vinacafe, the state inspection agency, said that the country would probably produce 250,000 tonnes of robusta this year, the bulk of which would be exported.

There is speculation that some mould could have been caused by contamination during storage. Freshly harvested coffee may have been held alongside six-month-old stock that some farmers had been withholding in the hope of better prices this season.

"Storage is still not particularly good in some parts. That's probably introduced mould into coffee that otherwise would be untainted," said the Ho Chi Minh City-based trader.

Quality is still a problem, with workers tending to "strip-pick" beans from branches, rather than carefully selecting better ones.

Expanding Asian mills seen as disruptive force

By Bernard Simon

Asian mills may be a seriously disruptive force in world pulp and paper markets over the next few years, a conference in London heard yesterday.

Mr Martin Glass, a UK consultant, predicted that the capacity of new mills in Indonesia, South Korea, Thailand and other Asian countries would significantly outstrip rising demand in the region.

Asia, excluding Japan, imported a net 2.6m tonnes of printing and writing papers and 2.1m tonnes of newsprint in 1995. However, the region is expected to become a net exporter by the turn of the century. "Where these papers will be sold will be a source of increasing conflict," Mr Glass told the conference, organised by the Financial Times.

He predicted that European and North American producers, aggressively seeking to expand their markets, would increasingly clash with Third World producers, which generally have the advantage of lower costs.

Mr John Dillon, chief executive of International Paper, the world's biggest forest products group, said the industry's inability to hold capacity in line with demand had caused volatile prices and friction between producers and consumers.

He said supply and demand was relatively easy to predict, but noted that producers announce new capacity "in the face of compelling evidence that supply and demand will be out of balance" if all the projects come to fruition.

He identified three causes of chronic over-capacity:

● Easy access to project finance based on a "gamble" that mills can be completed and lenders repaid before prices turn down.

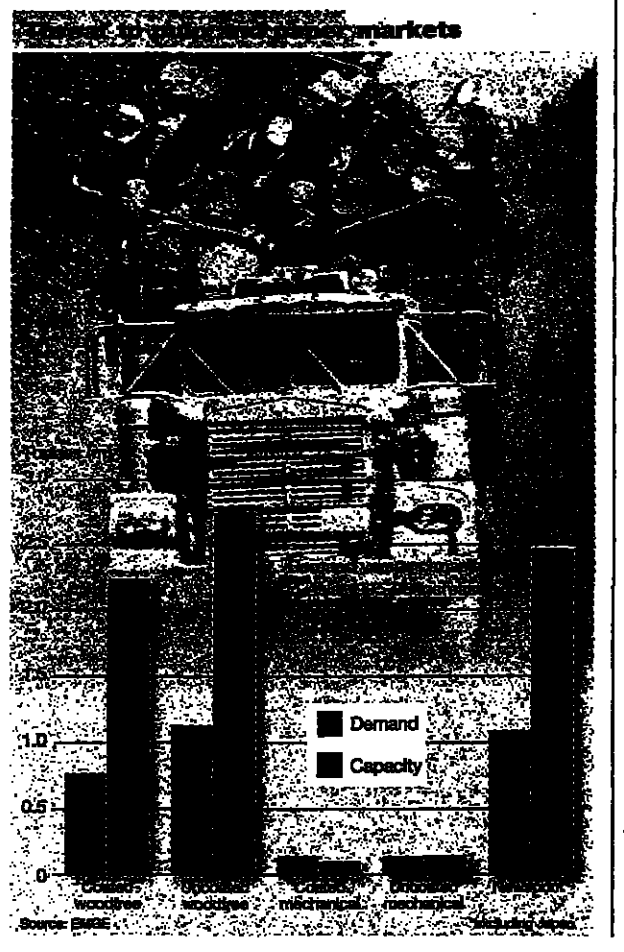
● Government involvement in some countries, in the form of direct financial support, cheap fibre from state-owned forests, and the provision of cheap infrastructure.

● Unequal trade rules, which permit pulp producers in some countries to export freely to paper mills abroad, but limit imports of finished paper products from Europe and North America.

Mr Glass said growth in Asian graphic paper capacity would be 2.5 to three times the increase in demand over the next few years.

Concern centres on Indonesia, where pulp and paper capacity is expected to expand by 18 to 20 per cent a year. Exports could climb from 1m tonnes this year to 2.6m tonnes in 2000, while paper and board capacity is expected to grow from 1.7m tonnes to 2.9m tonnes.

Over-capacity is likely to be especially severe in newsprint. Following heavy investment in Asia, global capacity is projected to expand by 3.1m tonnes between 1995 and 1998, compared with demand growth of 1.6m tonnes.



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1496.5-9.5	1529-30
Previous	1485.5-86.5	1516-17
High/low	1492	1535/1513
AM Official	1491.5-2.0	1522-2.5
Kerb close		1527-8
Open int.	250,231	
Total daily turnover	78,212	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1335-40	1362-7
Previous	1330-40	1360-65
High/low		1370/1365
AM Official	1330-35	1363-5
Kerb close		1367-70
Open int.	6,316	
Total daily turnover	1,956	

■ LEAD ($ per tonne)

Close	689.5-90.5	694-5
Previous	670-1	678-9
High/low	703/682	703/684
AM Official	682.5-3.0	687-7.5
Kerb close		700-1
Open int.	38,521	
Total daily turnover	14,700	

■ NICKEL ($ per tonne)

Close	6590-600	6685-95
Previous	6675-85	6765-70
High/low	6555	6700/6660
AM Official	6555-60	6660-70
Kerb close		6700-10
Open int.	47,161	
Total daily turnover	13,578	

■ TIN ($ per tonne)

Close	5785-95	5830-40
Previous	5745-55	5785-90
High/low		5840/5800
AM Official	5790-800	5835-40
Kerb close		5820-30
Open int.	16,630	
Total daily turnover	5,634	

■ ZINC, special high grade ($ per tonne)

Close	1033-4	1058-8.5
Previous	1023.5-24.5	1048.5-49
High/low		1060/1054
AM Official	1031-2	1056-7
Kerb close		1058-9
Open int.	81,434	
Total daily turnover	21,609	

■ COPPER, grade A ($ per tonne)

Close	2273-8	2148-9
Previous	2313-18	2163-65
High/low	2265/2260	2175/2130
AM Official	2262-7	2150-1
Kerb close		2147-8
Open int.	168,398	
Total daily turnover	84,352	

■ LME AM Official £/$ rate: 1.6527
LME Closing £/$ rate: 1.6575

Spot 1.6569 3 mths: 1.6538 6 mths: 1.6485 9 mths: 1.6449

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	102.60	-1.10	103.70	101.60	2,341	5,058
Jan	101.70	-0.90	102.00	101.10	450	6,284
Feb	100.90	-0.70	101.60	100.20	89	1,422
Mar	99.70	-0.65	100.70	98.50	5,642	24,645
Apr	98.20	-0.40	98.20	98.20	13	922
May	96.45	-0.40	98.95	95.70	405	4,610
Total					9,372	69,883

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	368.60-369.00		
Opening	368.80-369.20		
Morning fix	368.60	223.123	484.893
Afternoon fix	369.60	222.821	485.446
Day's High	368.90-369.30		
Day's Low	367.90-368.30		
Previous close	368.40-368.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.16 6 months 3.44
2 months ....3.20 12 months 3.55
3 months 3.21

Silver Fix	p/troy oz.	US cts equiv.
Spot	292.20	483.00
3 months	296.35	488.90
6 months	300.65	494.85
1 year	309.60	507.00

Gold Coins	$ price	£ equiv.
Krugerrand	368-370	222-224
Maple Leaf	-	-
New Sovereign	86-89	52-54

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	369.0	+0.2	368.8	368.0	94	783
Jan	369.8	+0.2	417.0	417.0	1,914	5,598
Feb	370.8	+0.2	371.1	369.7	21,591	91,680
Apr	372.9	+0.1	373.0	371.9	1,235	22,399
Jun	375.2	+0.1	375.3	374.3	1,022	15,573
Aug	377.5	+0.1	378.4	378.4	197	5,587
Total					25,950	185,766

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	371.1	-1.3	372.4	370.5	2,224	16,618
Apr	373.3	-1.2	374.8	372.5	698	11,284
Jul	376.0	-1.2	376.5	376.5	13	2,039
Oct	378.8	-1.2	380.5	379.0	179	1,169
Total					3,114	31,310

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	118.40	-1.35	119.50	119.00	7	3
Mar	120.40	-1.80	122.20	120.20	805	7,304
Jun	121.70	-1.80	-	-	50	383
Sep	122.70	-1.80	-	-	-	5
Dec	123.70	-1.80	-	-	-	17
Total					805	7,712

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	480.2	-	481.0	478.0	160	247
Jan	481.1	-	482.0	479.0	2	23
Mar	486.0	-	489.0	483.5	19,845	57,061
May	490.4	-	492.0	488.5	229	9,394
Jul	494.7	-	500.0	490.0	50	8,352
Sep	499.2	-	499.0	499.0	241	2,940
Total					20,833	84,686

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	23.70	+0.32	23.82	23.33	57,716	87,579
Feb	23.18	+0.25	23.35	22.88	36,486	70,550
Mar	22.73	+0.29	22.81	22.42	20,567	31,049
Apr	22.26	+0.33	22.32	22.01	4,569	20,257
May	21.76	+0.32	21.82	21.56	3,645	15,909
Jun	21.30	+0.31	21.40	21.14	3,594	28,774
Total					144,576	375,831

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	22.43	+0.28	22.68	22.27	12,336	29,122
Feb	21.95	+0.31	22.18	21.80	16,433	54,044
Mar	21.43	+0.26	21.65	21.29	2,355	31,523
Apr	20.90	+0.23	21.13	20.78	936	14,181
May	20.40	+0.22	20.64	20.35	420	9,772
Jun	19.87	+0.16	20.00	19.87	93	11,584
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	68.65	-1.83	66.65	66.90	31,320	30,905
Feb	67.90	+1.23	68.00	66.60	17,331	28,094
Mar	65.50	+0.83	65.65	64.65	4,440	13,351
Apr	61.85	+0.53	62.20	61.30	3,048	8,271
May	58.90	+0.48	59.00	58.50	490	4,237
Jun	57.00	+0.43	57.00	56.50	529	5,456
Total					58,621	169,042

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	205.00	+2.25	207.50	203.50	3,826	4,247
Jan	205.25	+0.25	209.25	205.25	11,984	30,190
Feb	201.25	+0.50	204.25	201.00	2,815	12,319
Mar	194.50	-0.50	197.50	194.25	1,479	8,241
Apr	187.50	-0.75	190.75	188.50	439	5,670
May	182.25	-0.75	185.00	183.00	99	3,020
Total					21,527	77,511

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	3.485	-0.008	3.565	3.340	26,515	32,919
Feb	3.215	-0.024	3.290	3.050	9,387	25,881
Mar	2.845	-0.035	2.910	2.785	3,341	15,627
Apr	2.470	-0.005	2.495	2.410	1,860	8,479
May	2.250	-0.005	2.310	2.280	1,068	7,034
Jun	2.200	-	2.215	2.180	518	6,143
Total					45,623	140,232

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	64.80	+1.24	65.10	63.30	21,969	23,193
Feb	64.55	+1.00	64.65	63.30	8,040	16,818
Mar	64.50	+0.80	64.70	63.65	2,104	8,909
Apr	65.80	+0.35	65.80	65.55	1,159	4,076
May	65.30	+0.35	65.60	65.10	534	2,713
Jun	64.40	+0.55	64.50	64.40	114	2,526
Total					34,188	60,140

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	95.85	+1.00	96.35	95.55	228	1,338
Mar	98.25	+1.25	98.50	97.75	227	2,077
May	100.00	+1.15	100.40	99.70	335	2,185
Jul	101.15	+1.15	101.25	101.00	25	322
Sep	93.75	+0.85	-	-	-	2
Nov	95.75	+0.65	95.60	95.60	15	821
Total					830	6,752

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	404.00	+5.00	407.00	398.00	227	1,058
Mar	388.25	+5.50	391.00	383.50	10,810	32,445
May	361.75	+6.25	363.00	356.50	697	5,156
Jul	338.00	+5.25	338.50	334.00	3,070	17,249
Sep	341.00	+3.50	341.50	338.50	23	763
Dec	351.00	+5.00	351.00	349.00	10	463
Total					14,829	57,241

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	267.75	+0.25	268.50	266.50	4,311	13,996
Mar	264.25	-0.25	265.25	262.75	25,718	146,505
May	266.50	-0.25	267.50	265.00	4,323	52,748
Jul	268.25	+0.25	269.00	267.00	5,923	54,698
Sep	263.00	+1.5	263.25	262.00	159	5,837
Dec	262.00	+1.75	262.50	260.00	2,065	34,580
Total					42,577	311,040

■ BARLEY LIFFE (£ per tonne)

Jan	95.25	+1.50	95.25	95.00	14	484
Mar	96.50	+1.50	96.75	95.75	54	231
May	97.75	+1.50	97.50	97.00	15	136
Sep	93.25	+0.75	93.25	93.25	2	1
Nov	95.25	+0.75	-	-	-	185
Total					85	1,027

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	702.75	+11.25	703.75	691.50	26,027	53,934
Mar	698.50	+12.25	699.00	687.00	12,342	40,112
May	696.25	+10.75	697.00	686.50	3,846	23,753
Jul	696.50	+10.5	697.25	687.25	4,414	23,423
Aug	694.00	+8.5	694.00	689.50	120	2,797
Sep	677.00	+9.5	677.00	671.00	128	461
Total					48,272	154,834

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	23.11	+0.11	23.20	23.02	3,223	2,116
Jan	23.33	+0.16	23.40	23.17	7,788	30,946
Mar	23.72	+0.16	23.77	23.59	6,246	28,595
May	24.00	+0.16	24.02	23.85	2,272	13,554
Jul	24.23	+0.17	24.25	24.05	1,350	9,363
Aug	24.28	+0.2	24.35	24.33	73	1,845
Total					21,131	88,414

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	235.7	+4.1	236.0	233.8	3,833	6,851
Jan	226.1	+4	226.5	222.4	11,243	25,928
Mar	219.7	+3.8	220.0	215.8	8,212	23,883
May	215.8	+4	215.8	213.6	3,178	14,560
Jul	214.7	+3.6	214.8	212.8	2,918	9,634
Aug	213.5	+3.5	212.5	211.5	86	2,050
Total					29,551	85,849

■ POTATOES LIFFE (£/tonne)

Mar	52.0	+2.0	-	-	-	-
Apr	63.0	+2.7	63.0	62.0	12	1,251
May	66.0	+2.5	-	-	2	39
Jun	76.0	+2.5	-	-	-	-
Apr	114.0	+0.5	-	-	-	554
Total					12	1,846

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Dec	1505	+15	1505	1500	18	352
Jan	1455	+30	1458	1445	306	1,861
Apr	1498	+23	1500	1490	92	872
Jul	1220	+8	1226	1220	32	398
Oct	1330	-	1334	1330	35	90
Jan	1340	-	-	-	-	39
Total					622	3,780

	Close	Prev
BFI	1490	1477

FUTURES DATA
All futures data supplied by CMS.

Wool

The first half of the 1996/97 Australian wool selling season closed this week showing a slight but welcome firmer tendency. The Eastern indicator closed up 12cts at 566cts/kg. The Western advanced 10 to 542cts/kg. The New Zealand indicator rose 2 to 450cts/kg after a long spell of weakness. South Africa reported developing demand and the market closed on a positive note for the christmas recess at 2034cts/kg. The firmer closes before the long christmas break, with many wool markets closed until early January 1997, is seen as helpful on the demand side. In the UK some improvements in new orders are already indicated. Elsewhere, though pointers are unclear at present, the situation has not got any worse.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	879	+1	881	881	73	220
Mar	932	+2	936	931	1,193	49,504
May	951	+1	955	950	91	18,908
Jul	966	-	970	966	85	12,631
Sep	981	-2	986	983	179	8,317
Dec	991	-	996	992	136	8,414
Total					2,428	119,731

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1327	-	1353	1325	5	6
Mar	1380	-9	1391	1378	2,857	39,232
May	1402	-7	1413	1401	262	11,201
Jul	1422	-11	1433	1420	123	7,352
Sep	1445	-7	1455	1445	99	6,671
Dec	1465	-8	1470	1465	10	1,358
Total					3,492	75,183

■ COCOA (ICCO) (SDR's/tonne)

Dec 11	Price	Prev. day
Daily	1029.06	1031.43

■ COFFEE LIFFE ($/tonne)

Jan	1332	+1	1340	1317	1,716	14,425
Mar	1275	+13	1275	1258	1,227	21,006
May	1237	+20	1236	1220	648	6,204
Jul	1224	+14	1219	1209	259	1,629
Sep	1220	+15	1218	1200	285	891
Nov	1220	+16	1214	1200	35	533
Total					4,172	44,688

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	123.40	+4.40	123.40	118.00	76	682
Mar	109.85	+1.75	110.25	107.80	5,872	15,246
May	107.35	+1.65	107.45	105.20	755	5,615
Jul	105.60	+1.80	105.80	103.75	102	1,655
Sep	103.65	+1.55	103.75	102.00	203	1,338
Dec	101.65	+1.70	101.75	99.90	238	1,074
Total					7,378	28,122

■ COFFEE (ICO) (US cents/pound)

Dec 11		Prev. day
Comp. daily	89.39	89.46
15 day average	92.98	92.80

■ WHITE SUGAR LIFFE ($/tonne)

Mar	299.7	+1.8	300.0	296.5	1,585	16,502
May	299.2	+1.6	299.2	297.0	492	5,208
Aug	300.7	+1.2	300.2	300.0	24	2,618
Oct	297.7	+0.2	298.0	296.5	66	1,797
Dec	298.9	+0.8	298.6	298.6	16	545
Mar	300.9	+0.7	-	-	-	377
Total					2,166	27,088

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.48	+0.04	10.47	10.37	6,961	80,301
May	10.57	+0.03	10.59	10.53	985	30,679
Jul	10.57	+0.02	10.58	10.53	278	21,316
Oct	10.59	+0.01	10.59	10.56	340	12,646
Mar	10.64	+0.02	10.60	10.60	107	3,794
May	10.63	+0.02	-	-	-	835
Total					8,661	150,884

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	76.45	+0.28	76.60	75.30	3,118	26,019
May	77.38	+0.25	77.48	76.45	836	10,477
Jul	78.17	+0.04	78.25	77.00	654	7,748
Oct	77.55	+0.10	77.35	77.10	11	1,243
Dec	76.95	+0.12	77.10	76.40	1,034	9,456
Mar	77.80	+0.07	-	-	6	384
Total					5,664	55,727

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	90.75	-0.10	91.40	90.50	678	10,423
Mar	94.50	-0.10	95.20	94.25	760	10,538
May	97.70	-0.05	98.20	97.60	122	3,089
Jul	100.55	+0.15	100.65	100.50	17	658
Sep	103.25	+0.15	103.00	103.00	14	268
Nov	102.50	-0.80	102.50	102.50	3	58
Total					1,592	25,073

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 12	Dec 11	month ago	year ago
1856.2	1860.0	1842.1	2130.6

■ CRB Futures (Base: 1967 = 100)

Dec 11	Dec 10	month ago	year ago
240.49	240.87		

■ GSCI Spot (Base: 1970 = 100)

Dec 11	Dec 10	month ago	year ago
211.46	214.54	206.20	193.48

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.775	+0.95	66.825	66.200	3,505	10,324
Feb	63.700	+0.775	63.750	63.175	7,037	32,213
Apr	64.875	+0.45	64.950	64.550	2,915	21,384
Jun	62.925	+0.375	62.950	62.650	532	8,786
Aug	62.625	+0.25	62.750	62.425	356	7,944
Oct	65.075	+0.25	65.125	64.950	144	6,011
Total					14,534	87,997

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	57.825	-	57.850	57.250	3,018	5,599
Feb	75.400	+0.45	75.500	74.875	7,282	13,556
Apr	71.575	+0.6	71.750	71.075	837	5,359
Jun	74.725	+0.25	74.975	74.300	550	5,001
Jul	71.750	+0.05	71.950	71.500	135	1,425
Aug	68.400	+0.6	68.400	67.800	71	897
Total					12,877	32,982

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	79.200	+1.95	79.400	77.500	2,009	4,387
Mar	78.425	+1.8	78.600	76.625	187	957
May	79.250	+1.05	79.300	78.000	69	559
Jul	79.375	+1.075	79.000	78.050	29	451
Aug	74.300	+0.4	73.800	73.800	8	104
Total					2,296	6,458

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM

(99.7%) LME	Jan	Apr	Jan	Apr
1475	43	93	9	30
1500	27	78	18	40
1525	15	64	31	50

■ COPPER

(Grade A) LME	Jan	Apr	Jan	Apr
2150	85	109	36	153
2200	58	90	58	183
2250	37	74	87	216

■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1300	41	52	9	77
1350	13	34	31	109
1400	4	22	72	147

■ COCOA LIFFE	Mar	May	Mar	May
900	45	67	13	16
925	30	50	23	24
950	21	37	39	36

■ BRENT CRUDE

IPE	Jan	Feb	Jan	Feb
2200	130	-	1	90
2250	83	-	4	-
2300	45	-	9	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.76-0.85w	-0.195
Brent Blend (dated)	$22.53-2.56	-0.345
Brent Blend (Jan)	$22.40-2.43	-0.195
W.T.I.	$23.58-3.60w	-0.15

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$218-220	+1.5
Gas Oil	$205-207	-0.50
Heavy Fuel Oil	$113-115	+1
Naphtha	$220-224	-1
Jet fuel	$237-239	+2
Diesel	$220-221	

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	19.70-20.50	+0.9

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

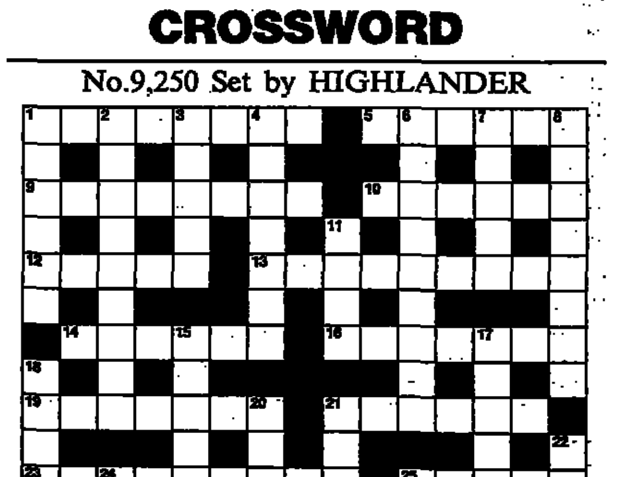
Gold (per troy oz)‡	$368.80	+0.20
Silver (per troy oz)‡	485.50c	+3.00
Platinum (per troy oz.)	$368.50	-1.00
Palladium (per troy oz.)	$118.75	-1.25
Copper	110.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.57r	-0.15
Tin (New York)	270.50	+1.00
Cattle (live weight)	108.63p	-0.24*
Sheep (live weight)	182.81p	-3.60*
Pigs (live weight)†	85.85p	-7.19*
Lon. day sugar (raw)	$258.90	+1.50
Lon. day sugar (wte)	$302.50	+0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	80.50p	
Rubber (Feb)♥	80.50p	
Rubber (KL RSS No1)	318.0x	+1.5
Coconut Oil (Phil)§	$790.0y	
Palm Oil (Malay.)§	565.0w	+10.0
Copra (Phil)§	485.0	
Soyabeans (US)	193.0z	
Cotton Outlook'A' index	79.75	
Wooltops (64s Super)	402p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jan. y Dec/Jan ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,824 head of pigs sold. + New month of January.

JOTTER PAD

CROSSWORD

No.9,250 Set by HIGHLANDER



ACROSS

1 Special messenger accepts first letter from the court attendant (8)
5 Begin with present series of games away from home (3,3)
9 Information on alloy of tin or another common element (8)
10 Amicably settle paint arrangement (4-2)
12 Danger for each one left (5)
13 And please resort to promenade (9)
14 Convincing the chap behind the company (6)
16 An instant shine (7)
19 American car tailback one hears referred to by newsreaders (7)
21 For example, lacking heart, they indicate agreement for church councils (6)
23 Coyly flirtatious clothing is then adjusted (9)
25 Cabinet covers quarter that's come to an end (5)
26 Sarcastic and unyielding, starts to infuriate colleagues (6)
27 Take to the air daily – it's to catch insects! (8)
28 Take part or take on (6)
29 It is admitted by more vulgar campaigner (8)

DOWN

1 Is it possible for parrot to make party snack? (6)
2 The greatest possible amount, say nearly all (9)
3 Run ring round legendary Scandinavian creature (5)
4 Situation in which one is most effective and vital part (7)
6 Something that's produced English, the master race (9)
7 Some home games shocked character from overseas (5)
8 Outdo even combination of those at the peak (3,5)
11 Minor argument with Southern Irishman (4)
15 Going beyond previous reported placement of competitors (9)
17 Captured goat dropped off by Stevenson (9)
18 Support the team that's bottom (8)
20 Way out sounds like an unknown thing (4)
21 Academic college loses one nil – by one run (7)
22 Listener at this point heard suggestion of hesitation (6)
24 In Chinese society head of household provides leather strip (5)
25 Deals well with clerical vestments (5)

Solution 9,249

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

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Private Clients 0800 414181 00 352 250404236
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum		A$19.284		+0.002	6.40
ASch Accum		Sch249.84		+0.01	2.10
C$ Accum		C$18.764		+0.002	2.20
DM Accum		DM20.427		+0.002	1.90
DFl Accum		Dfl31.737		+0.002	1.70
ECU Accum		Ecu13.552		+0.001	3.00
FFr Accum		FF157.292		+0.004	2.20
HK$ Accum		HK$122.00		+0.01	4.20
Lire Accum		L25848		+4	0.00
NZ$ Accum		NZ$40.378		+0.008	7.90
NKr Accum		NKr113.03		+0.01	3.10
S$ Accum		S$26.134		+0.002	2.40
SPts Accum		Pts2758.7		+0.4	5.70
£ Accum		£13.320		+0.002	4.80
SKr Accum		SKr121.71		+0.01	3.10
SFr Accum		SFr28.410		—	0.00
US$ Accum		$23.609		+0.003	4.40
Yen Accum		Y3980.0		—	0.10

Prices for dealing December 12

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 01481 707000
Prudential Money Funds Ltd

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling		140.6	140.7	—	4.68
Managed Dollar	5	$14.20	14.21	-0.03	4.67
Dollar Deposit		$10.05	10.05	—	5.74

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 7187425

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Five Arrows Latin Am Dist	5	$14.23	15.37	—	0

Five Arrows International Bond Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FAIB £ Bond	3¾	£21.70	22.47	-0.03	8.04
FAIB US$ Bond	3¾	$33.27	34.50	-0.06	5.77
FAIB £ Global	3¾	£17.30	17.96	-0.07	8.14
FAIB US$ Global	3¾	$31.24	32.51	-0.12	4.71

Five Arrows International Reserves Ltd

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FAIRL £		£45.378		+0.006	4.97
FAIRL A$		A$50.458		+0.006	5.20
FAIRL C$		C$30.865		+0.004	2.82
FAIRL DFl		Dfl108.680		+0.065	1.78
FAIRL DKr		DKr288.26		+0.030	2.42
FAIRL DM		DM68.296		+0.008	2.04
FAIRL ECU		Ecu32.080		+0.005	3.00
FAIRL BFr		BFr2047.18		+0.710	1.87
FAIRL FM F		FM300.639		+0.014	1.87
FAIRL FFr		FFr447.132		+0.027	3.34
FAIRL HK$		HK$182.52		+0.029	4.36
FAIRL Lire		L145480		+20.0	6.73
FAIRL NZ$		NZ$40.965		+0.008	7.95
FAIRL NKr F		NKr401.304		+0.029	2.75
FAIRL S$		S$07.383		+0.007	2.25
FAIRL R F		R304.858		+0.115	14.74
FAIRL Pta		Pta4522.29		+0.066	5.77
FAIRL SF		SF177.345		+0.002	0.76
FAIRL SKr		SKr226.79		+0.010	3.21
FAIRL U.S.$		$88.102		+0.007	4.38
FAIRL Yen		Y10114.08		—	0.09
FAIRL Man £		£28.276		+0.047	4.34
FAIRL Man DM		DM55.595		-0.042	1.73
FAIRL Man $		$31.554		+0.006	3.80
FAIRL Man Int		$21.666		+0.046	1.79

Five Arrows Currency Fund Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000
Murray Global Accumulation Fund Plc

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Murray Financials Bond	2	104.02		(z)	6.18

IRELAND (REGULATED)(**)

[illegible]

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 780 2400

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Odey European Gth Inc.		DM164.85		—	—
Odey European Gth Acc.		DM165.28		—	—
Odey European Gth Inc.		£64.21		—	—
Odey European Gth Acc.		£64.44		—	—

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Umbrella Fund Inc.	$12.94	13.33	—	0.08
[illegible]				
Pacific Emerging 94 A	$57.67		—	0.00
Pacific Emerging 94 B	$55.14		—	0.00
Latin America	$7.42		-0.05	0.00
Taiwan Fund NAV	$10.75		-0.15	0.00

Berkshire KITC Growth Fund Plc

	Selling Price	Buying Price	+ or -	Yield Gross
NAV	$5.80		-0.05	-

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stg Managed	24.818	4.666	-0.005	-
£ European Stockmkts	23.173	5.583	+0.008	-
£ UK Stockmkt	25.184	3.574	-0.028	-
£ Sterling Special Mkt	24.712	5.097	+0.071	-
£ UK Fixed Interest	£4.898	4.200	-0.058	-
£ Stg Money Mkt	£2.908	3.212	+0.002	-
£ Capital Guarantee	£1.728	1.893	+0.002	-
$ Dollar Managed	$3.349	3.591	-0.713	-
$ Intl Stockmkt	$4.439	4.773	-0.058	-
$ US Dollar Bond	$1.401	1.508	-0.014	-
$ Nth Am Stockmkt	$3.912	4.207	-0.100	-
$ Japan Stockmkt	$1.599	1.719	-0.016	-
$ Pacific Stockmkt	$5.384	5.788	-0.090	-
$ Emerging Asian Stockmkt	$2.329	2.505	-0.066	-
$ Hong Kong Stockmkt	$8.027	8.631	-0.216	-
$ Intl Fixed Interest	$3.889	4.192	-0.043	-
$ Intl Mngd Currency	$2.462	2.646	-0.001	-
$ Dollar Money Mkt	$2.278	2.450	+0.002	-
$ Latin American Stkmkt	$1.008	1.096	-0.005	-
$ Dollar Special Mkt	$1.080	1.140	-0.009	-
$ Emerging Market Bond	$1.214	1.306	—	-
$ Emerging Stockmarkets	$0.854	0.918	+0.001	-
G'teed Futures1 Sep '98		$1.837	-0.149	-
G'teed Futures2 Mar '99		$1.591	-0.111	-
G'teed Futures3 Sep '99		$1.839	-0.135	-
G'teed Futures4 Dec 2000		$1.711	-0.134	-
G'teed Futures5 Dec 2001		$0.901	-0.003	-
Guaranteed US Futures Bond		$1.168	-0.029	-
Swiss Franc Managed	SFr7.281	7.807	-0.010	-
Swiss Franc Money Mkt	SFr1.298	1.393	-0.001	-
Convention	SFr1.066	1.147	-0.011	-
DEM Deutschemark Mgd	DM2.737	2.943	-0.007	-
$ Secure Stkmkt Index	$0.941	1.013	—	-
£ Secure Stkmkt Index	£0.942	1.014	—	-

Broker Managed Funds

	Selling Price	Buying Price	+ or -	Yield Gross
£ OFS Global Port	£1.375	1.478	+0.009	-
£ YRA Worldwide	£1.328	1.428	-0.013	-
$ YRA Dlr Worldwide	$1.525	1.640	-0.005	-
Young & Co Brcd Pfolio	$1.297	1.394	-0.025	-
Pioneer Mid Term App	$1.164	1.251	-0.012	-
Pioneer Long Term Cons	$1.152	1.238	-0.014	-
Pioneer Long Term App	$0.871	0.937	-0.027	-
HFP Selective Mgd	$1.125	1.209	-0.029	-
Acorn International Managed	$0.850	0.914	-0.012	-
Acorn Intl Lo Global	DM0.903	0.970	-0.001	-

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$18.00	18.88		-
International Class B	$17.17			-
Quasar	$27.88	29.08		-
Quasar Class B	$25.85			-
Global Small Cap	$12.59	13.14		-
Global Small Cap Class B	$11.92			-

Allied Dunbar International Fund Mngrs (1600)F

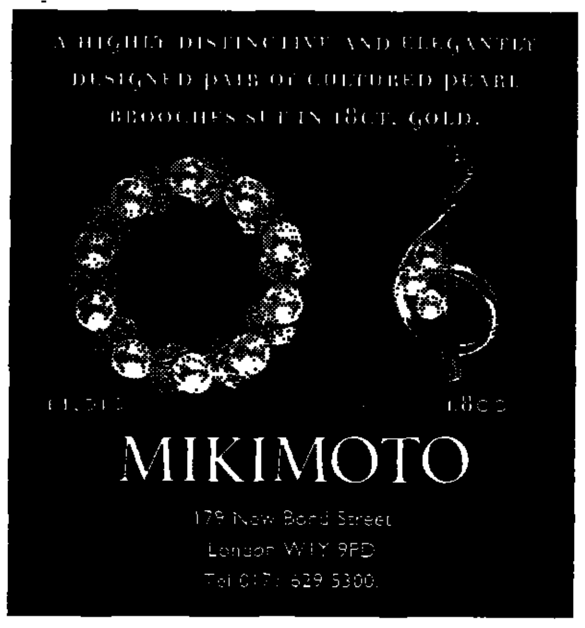
	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.6813	0.7283	-0.0063	0

Alpha Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Europe Oct 31	Ecu288.82		—	-
Alpha Futures Oct 31	$247.85		—	-
Alpha Global Oct 31	$1018.48		—	-
Alpha Atlas Oct 31	$106.35		—	-
Alpha Hedge Class A Oct 31	$547.90		—	-
Alpha Hedge Class B Oct 31	$135.90		—	-
Alpha Hedge Class C Oct 31	$141.85		—	-
Alpha Latin Am Oct 31	$408.72		—	-
Alpha Pacific Oct 31	$338.12		—	-
Alpha Short Oct 31	$47.81		—	-
Alpha Wdwide Oct 31	$219.09		—	-

Arcadia Capital Advisers LLC

	Selling Price	Buying Price	+ or -	Yield Gross
Arcadia Clipper Ltd	$120.84		—	-



Global Asset Management – Contd.

Swiss Registered Funds

	Selling Price	Buying Price	+ or -	Yield Gross
GAM (CH) Europe	SFr118.50		-1.40	-
GAM (CH) Mondial	SFr205.85		-3.15	-
GAM (CH) Pacific	SFr278.90		-4.20	-

Jardine Fleming Unit Trusts Ltd – Contd.

JF Masterfund

	Selling Price	Buying Price	+ or -	Yield Gross
JF Asia Growth Pfolio	$8.45	8.95	-0.05	-
JF Intl Growth Pfolio	$10.85	11.28	-0.10	-
JF Money Fund – US$	$105.77	105.77	+0.01	5.82

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		425xd	-4	[illegible]	415½	[illegible]	6.9	12.8
Bulmer (HP)		[illegible]	—	[illegible]	477	[illegible]	3.2	16.0
Burn St Dist		71	—	[illegible]	67½	42.1	6.0	75.5
Glenmorangie A		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.8	23.1
Grand Met		[illegible]	[illegible]	[illegible]	411	[illegible]	4.7	13.7
Guinness		[illegible]	+6	[illegible]	425	[illegible]	4.4	13.5
Highland		341½xd	—	378	315	[illegible]	3.0	16.5
5¼pc Cnv Bds		[illegible]	—	[illegible]	[illegible]	-	-	-
Kirin Y		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.1	22.5
Matthew Clark		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.9
Merrydown		119½	—	141	91½	12.9	5.4	14.6
Seagram $		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.2	-

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

LIFE ASSURANCE - Cont.

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	q	£215	—	*£234	£201	1,734	3.3	ɸ
Barlow		£5.2 xd	-1/16	£10	£5.3	1,085	2.8	ɸ
Gold Flds Prop R		138	—	178	120	13.9	5.7	11.7
HK Props.		65	—	98	60	2.81	12.7	-
SASOL	♥	645	—	710	511	3,777	1.8	-
SA Brews		£14 xd	-1/8	£20	£14	4,275	2.2	ɸ
Standard Bank		£21	+1/8	£32	£21	2,594	1.8	20.5
Tiger Oats		780	—	1270	770	1,388	2.2	ɸ
Tongaat-Hulett		747½xd	—	1247	676¼	707.5	2.2	ɸ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3368 a year for each security shown, subject to the Editor's discretion

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ɸ The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Benign economic news lifts UK equities

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

A morning rally in London faltered yesterday when more signs of nervousness from Wall Street emerged in afternoon trading. But the day's economic news helped steady UK share prices after Wednesday's losses.

Inflation figures for November and the latest monthly survey from the Confederation of British Industry, gave little or no cause for concern. All the leading FTSE indices clawed back some of Wednesday's severe losses.

The market was additionally cheered by news that UK interest rates had been left on hold for the time being after Wednesday's meeting between the chancellor and the governor of the Bank of England.

A raft of economic data from the US was similarly well-received, on both sides of the Atlantic. Wall Street initially recovered its poise after Wednesday's big shake-out, which saw the Dow Jones Industrial Average down more than 120 points at one stage, before staging a recovery to close 70 points lower.

But during the afternoon another bout of nervousness on Wall Street immediately made its presence felt across increasingly fraught European stock markets. An early 30 point rise in the Dow quickly turned into a 20 point fall.

Traders were also concerned about the weakness of the US bond market during Wednesday's session, when the 30-year bond fell not far short of two points; yesterday it showed little sign of recouping its losses.

The effect was to wipe out much of the strong performance London managed during the morning. The upshot of another tense trading day was that the FTSE 100 index was 8.2 higher at 3,990.7. The FTSE 250, meanwhile, closed 12.7 firmer at 4,379.5 and the FTSE Small Cap 1.3 better at 2,138.7. All of those closes were below the day's best levels.

The gilts market never looked anything but shaky throughout the day, eventually giving way in worrying fashion. The 10-year gilt was down 18 ticks and the 20-year issue almost a full point down at the close.

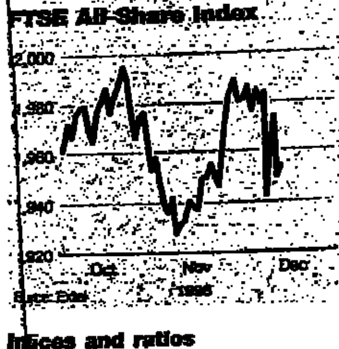
Marketmakers, whilst noting the latest show of volatility on Wall Street and in London, were slightly more relaxed about the day's events.

"Wall Street has had plenty of opportunities to crack in the past few days and it has bounced back every time; it is starting to look like it has had its scare and might now embark on a slow ride to Christmas," a trader said. Little in the way of institutional selling was reported.

Turnover at 6pm was a respectable 693m shares, and split evenly between FTSE 100 and other stocks. Customer business on Wednesday was valued at £1.89bn, the highest daily figure since last Thursday. And intra-marketmaker trading was also on the increase, reaching £635.1m, compared with Wednesday's £596.4m and Tuesday's £433.4m.

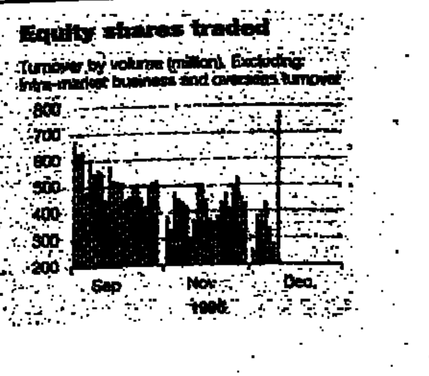
Tradepoint, the order-driven trading system, enjoyed one of its busiest ever trading days yesterday, winning big market share in two Footsie stocks, AB Foods and Barclays Bank.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3990.7	+8.2	FT 30	2755.7	+4.0
FTSE 250	4379.5	+12.7	FTSE Non-Fins p/e	17.71	17.69
FTSE 350	1983.1	+4.4	FTSE 100 Fut Dec	3982.0	+9.0
FTSE All-Share	1955.25	+4.11	10 yr Gilt yield	7.71	7.63
FTSE All-Share yield	3.86	3.87	Long gilt/equity yld ratio	1.95	1.99

Best performing sectors

1 Gas Distribution .... +6.3
2 Utilities .... +1.1
3 Tobacco .... +1.0
4 Food Producers .... +0.8
5 Telecommunications .... +0.7

Worst performing sectors

1 Textiles & Apparel .... -0.7
2 Oil: Integrated .... -0.6
3 Insurance .... -0.5
4 Mineral Extraction .... -0.4
5 Chemicals .... -0.4

BT boost for Orange

By Joel Kibazo, Peter John and Lisa Wood

Mobile telecoms group Orange was one of the day's top Footsie performers after confirming it is in talks with British Telecom on changes to call rates.

The move is expected to help mobile operators such as Orange and One-2-One get a bigger proportion of revenue from BT for calls that end up on their network. One analyst indicated that the changes could result in a 13 per cent improvement in Orange's revenue.

The shares gained 9½ to 178½p on turnover of 26m, the most heavily traded stock of the day.

Mr Jim McCafferty at ABN Amro Hoare Govett said: "This is positive news for Orange because the annual revenue per subscriber is likely to rise by between 8 and 9 per cent."

The news also boosted Cable & Wireless, which has a 50 per cent stake in One-2-One. The shares hardened 4 to 452p.

BT hardened to 387p. Lehman Brothers published a detailed review on the stock. Analysts at the US investment bank said: "The market is accelerating from an overall 7 per cent volume growth over the last five years, to an anticipated 9.5 per cent per annum and our forecast for BT is an advance from 5 per cent to 6.5 per cent per annum."

Shell Transport avoided the potential impact of a weak underlying oil price as investors looked ahead to two high profile presentations, the first of their kind from the company for three years.

The company will hold its first showcase event in New York today and will follow on with another one-day investment seminar event at the Chiswell Street brewery in central London on Monday.

And while analysts are not anticipating any radical announcement, they are hoping for clues about rationalisation in Shell's European refining as well as further information about the company's involvement in the Gulf of Mexico.

The shares had been up 12½ and ended 5 stronger at 978p. That compared with falls of 9 to 658½p at BP, and 6¼ to 581p for Enterprise.

Glaxo Wellcome slipped in early trading as HSBC James Capel slashed forecasts and turned seller of the stock.

The broker argues that the effect of strong sterling on overseas earnings will hit current year profits by £70m. On top of that, it has lopped a further £100m from its estimate of the significant impact on marketing of new drugs. It also believes research and development costs will come to £1.2bn, up from its previous forecast of £1.1bn.

The net effect has been to lower the full year forecast to £2.93bn. Capel reduced its earnings per share forecast from 59p to 56p and suggested the shares will not be fairly valued until they fall below 900p. Glaxo fell 18 but recovered in afternoon dealing to close 6 up at 944p.

British Gas jumped to the top of the Footsie performance table with a rise of 14½ to 232p on turnover of 12m shares. There was also buying of short dated calls – options to buy shares at a fixed price up until a certain date – which is generally considered a bullish sign. Investors responded to data from Citywatch, the equities ownership analyst, that several big institutions have underweight positions in the stock.

Life insurance groups were under pressure from the general volatility in the market and talk that SBC Warburg was making cautious noises about Legal & General.

The broker was apparently saying that 10 per cent of the share price already represented potential bid premium and there was better value elsewhere. However, there was some support from down under. Australian Mutual Provident announced it was considering a listing in the UK and is believed to be interested in expanding its life activities in the UK and US. Legal shares shed 3 to 358p.

Dalgety firmed 10½ to 339p as old rumours recirculated that Nestle was considering making a bid for the group in order to acquire its pet foods business.

Nestle is a large manufacturer of pet foods and had wanted to acquire Quaker's European pet food business, but was pipped to the post by Dalgety in 1995. The acquisition has not been particularly successful to date, said one analyst, but it was seen as having potential. Nestle, he said, would probably like to buy the business from Dalgety but the UK food group probably did not want to sell. Making a bid for the whole group, he said, would be a cumbersome way of Nestle securing that goal.

Associated British Foods, which is perceived as a strong defensive stock, hardened 18½ to 459p.

A welcome hike in the dividend helped London Electricity move forward 11½ to 651½p. London saw profits for the six months to September dip to £69m from £84.5m a year ago. But the dividend of 14.3p was up from 11.5p previously and towards the top end of expectations.

Electricity generator Scottish Hydro eased 2½ to 314½p as the group turned in lower-than-expected half year profits.

Jones Stroud plummeted 30 to 395p after the textile and electrical accessories manufacturer posted a drop in first-half profits.

British Mohair fell 18½ to 100p after warning that profits for the second half of the year will be lower than those achieved in the first half.

Asda, which many analysts have considered to be cheap over the past couple of weeks, strengthened 1¾ to 121¼p on volume of 9.8m shares.

Greenalls fell 10½ to 591½p despite results in line with expectations. One analyst said that growth rates in some divisions of the business, including its managed houses, were below par for the sector.

Guinness rose 6 to 436p with one analyst suggesting this might be due to news that tariffs on brown distilled spirits traded between the European Union and the US were to be eliminated by the year 2000, four years earlier than expected.

Several stocks were adversely affected by falling out of the key indices. Pilkington fell 3½ to 144p and Courtaulds weakened 8½ to 373p after falling from the FTSE 100. Matthew Clark, which dropped out of the 250, fell 4 to 270½p. However Fine Art Developments, which also fell out of the FTSE 250, rose 4 to 234p after a positive interim results statement.

Conversely, a number of stocks which joined the key indices rose, including new 250 member Biocompatibles, which climbed 37½ to 742½p.

FT 30 INDEX

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 6	Yr ago	*High	*Low
FT 30	2755.7	2751.7	2782.9	2772.8	2740.7	2656.4	2885.2	2668.8
Ord. div. yield	4.14	4.14	4.09	4.10	4.14	4.05	4.22	3.76
P/E ratio net	16.66	16.67	16.86	16.80	16.65	15.89	17.46	15.80
P/E ratio nil	16.50	16.52	16.71	16.65	16.49	15.71	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2756.5	2756.1	2763.2	2764.2	2766.6	2763.7	2766.8	2767.8	2749.3	2768.3	2748.6

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 6	Yr ago
SEAQ bargains	30,690	34,935	36,321	37,010	42,424	27,257
Equity turnover (£m)†	-	1387.9	1337.9	813.2	1231.6	2084.3
Equity bargains†	-	17,801	19,395	20,862	22,966	32,689
Shares traded (mil)†	-	410.1	774.5	272.6	339.0	683.2

†Excluding intra-market business and overseas turnover.

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 6	Yr ago	*High	*Low
FTSE AIM	1017.90	1018.60	1022.10	1024.00	1019.90	-	1140.40	965.70

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	466	Total Highs	44	Total contracts	44,508
Total Falls	576	Total Lows	60	Calls	22,074
Same	1,534			Puts	22,434

Dec 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3989.0	3982.0	+9.0	4014.0	3968.0	16843	39047
Mar	4008.0	3998.0	+8.0	4029.0	3986.5	3093	25384
Jun	-	4019.0	+9.0	-	-	0	2269

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4398.5	+12.0	-	-	0	3370
Mar	-	4449.5	+12.0	-	-	0	2328

■ FTSE 100 INDEX OPTION (LIFFE) (*3986) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 11,668 Puts 11,213 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. ‡ Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 11	% chg on day	Dec 10	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1850.97	-2.6	1900.28	19[illegible].88	1.85	-	2529.73	1860.06
■ Regional Indices								
Africa (14)	2206.12	+1.6	2171.59	25[illegible].25	3.59	31.82	3563.86	2151.14
Australasia (6)	2117.04	-1.9	2158.29	24[illegible].68	2.85	21.08	2927.34	2005.75
North America (12)	1716.36	-4.2	1793.48	17[illegible].09	0.75	65.88	2188.39	1648.45

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 12	Day's chge%	Dec 11	Dec 10	Dec 9	Year ago	Div. yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3990.7	+0.2	3982.5	4035.7	4011.6	3671.6	[illegible].99	2.03	15.46	167.61	1666.96
FTSE 250	4379.5	+0.3	4366.8	4411.9	4385.0	3961.7	[illegible].61	1.50	23.18	171.96	1791.06
FTSE 250 ex IT	4417.8	+0.3	4404.4	4448.2	4421.6	3972.0	[illegible].71	1.52	22.20	180.59	1810.92
FTSE 350	1983.1	+0.2	1978.7	2003.9	1991.8	1817.9	[illegible]91	1.92	16.64	82.18	1692.19
FTSE 350 Higher Yield	1900.3	+0.4	1892.8	1916.9	1908.0	1816.1	[illegible]19	1.79	13.44	103.10	1366.42
FTSE 350 Lower Yield	2073.3	+0.1	2072.1	2098.2	2085.0	1824.4	[illegible]75	2.14	21.21	61.83	1455.69
FTSE SmallCap	2138.67	+0.1	2137.42	2144.88	2137.44	1946.05	[illegible]23	1.58	24.53	68.27	1784.75
FTSE SmallCap ex IT	2137.70	+0.1	2136.35	2141.35	2135.42	1922.46	[illegible]45	1.64	22.06	72.33	1797.09
FTSE All-Share	1955.25	+0.2	1951.14	1974.62	1963.13	1791.24	[illegible]86	1.90	17.04	79.64	1693.77

■ FTSE Actuaries Industry Sectors

	Dec 12	Day's chge%	Dec 11	Dec 10	Dec 9	Year ago	Div. yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3780.68	-0.4	3797.39	3864.56	3865.03	3265.98	3[illegible]7	1.71	19.39	142.73	1657.13
12 Extractive Industries(6)	4006.66	-0.3	4019.48	4069.21	4135.68	4249.85	4[illegible]5	2.66	11.61	162.00	1194.78
15 Oil, Integrated(3)	3903.06	-0.6	3924.65	4002.54	3999.84	3320.45	3[illegible]5	1.55	20.38	154.36	1757.89
16 Oil Exploration & Prod(14)	2930.12	+0.3	2921.43	2939.08	2882.60	2049.98	1[illegible]6	1.73	40.13	52.93	1776.02
20 GEN INDUSTRIALS(275)	1958.27	+0.1	1955.92	1976.53	1962.44	1930.62	4[illegible]9	1.65	17.30	81.86	1093.92
21 Building & Construction(34)	1172.64	+0.3	1169.51	1174.36	1150.29	1018.93	3[illegible]0	1.56	22.28	40.70	1000.21
22 Building Matls & Merchs(29)	1760.49	-0.1	1761.38	1791.56	1789.32	1778.54	4[illegible]	1.40	20.25	77.54	909.72
23 Chemicals(25)	2339.45	-0.4	2349.28	2370.79	2361.86	2312.41	4[illegible]0	1.43	19.87	102.40	1135.47
24 Diversified Industrials(19)	1418.63	-0.2	1421.19	1430.32	1415.64	1750.50	7[illegible]	1.54	11.35	90.53	818.53
25 Electronic & Elect Equip(36)	2222.01	+0.4	2214.19	2246.33	2231.72	2142.21	3[illegible]	1.34	26.17	65.09	1172.32
26 Engineering(71)	2555.37	+0.5	2543.39	2569.15	2549.23	2139.81	3[illegible]	2.30	16.88	81.47	1580.68
27 Engineering, Vehicles(14)	3100.83	+0.3	3092.46	3124.49	3124.65	2472.77	3[illegible]	1.71	20.94	103.02	1836.69
28 Paper, Pckg & Printing(28)	2457.67	+0.4	2448.35	2475.09	2447.54	2464.98	4[illegible]	1.82	16.24	99.66	1046.46
29 Textiles & Apparel(19)	1048.95	-0.7	1056.39	1061.53	1047.04	1428.76	6.[illegible]	1.15	15.94	69.60	663.06
30 CONSUMER GOODS(92)	3720.75	+0.5	3700.88	3723.49	3696.03	3603.48	3.[illegible]	1.95	16.36	146.17	1406.78
32 Alcoholic Beverages(8)	2601.66	+0.3	2595.00	2611.40	2642.88	2849.62	4.[illegible]	1.65	13.64	126.10	963.33
33 Food Producers(25)	2605.06	+0.8	2584.57	2598.00	2597.14	2566.73	4.[illegible]	1.77	16.84	105.92	1204.57
34 Household Goods(15)	2512.30	+0.5	2500.67	2544.07	2557.22	2613.17	4.[illegible]	2.23	13.74	191.20	1013.54
36 Health Care(18)	1999.72	+0.7	1986.15	2007.14	1996.29	1936.13	2.[illegible]	1.93	21.74	56.96	1234.72
37 Pharmaceuticals(14)	5723.19	+0.4	5700.27	5741.36	5664.48	5051.97	2.[illegible]	2.01	20.81	172.19	1977.61
38 Tobacco(2)	4118.43	+1.0	4076.58	4069.79	3973.79	4790.28	6.3[illegible]	2.13	9.32	262.07	1060.57
40 SERVICES(252)	2567.84	....	2569.04	2596.52	2582.96	2211.93	2.9[illegible]	1.98	21.42	80.64	1359.39
41 Distributors(30)	2878.35	+0.4	2866.84	2896.46	2884.73	2553.37	3.0[illegible]	2.01	20.66	89.76	1081.55
42 Leisure & Hotels(25)	3225.51	-0.2	3232.74	3258.21	3244.78	2611.38	2.7[illegible]	1.89	22.47	173.45	1754.27
43 Media(44)	4095.06	-0.3	4107.91	4160.11	4149.00	3507.29	2.26	2.10	26.30	93.63	1499.47
44 Retailers, Food(14)	2066.58	+0.5	2055.73	2075.57	2070.26	1932.43	3.82	2.28	14.38	77.71	1345.60
45 Retailers, General(45)	2058.87	-0.1	2061.10	2081.60	2076.39	1924.44	3.19	2.03	19.28	72.79	1202.20
47 Breweries, Pubs & Rest.(21)	3261.49	+0.4	3249.30	3281.19	3244.03	2819.73	3.33	2.10	17.92	75.34	1585.02
48 Support Services(50)	2722.06	-0.4	2732.89	2738.77	2722.59	1881.45	1.84	2.23	30.49	50.36	1749.63
49 Transport(23)	2604.74	....	2605.37	2628.54	2618.71	2135.38	3.70	[illegible]1.23	27.53	93.48	1111.58
60 UTILITIES(33)	2466.08	+1.1	2439.85	2472.01	2466.07	2405.01	5.47	[illegible].69	13.50	185.51	1110.55
62 Electricity(12)	2647.68	+0.5	2635.46	2652.83	2667.48	2744.84	6.59	[illegible].15	8.83	459.01	1449.79
64 Gas Distribution(2)	1563.75	+6.3	1470.85	1470.85	1464.55	1523.64	7.68	[illegible].54	30.15	119.71	855.64
66 Telecommunications(6)	2048.29	+0.7	2034.33	2068.59	2053.64	1943.86	4.06	[illegible].51	20.39	58.10	956.01
68 Water(11)	2221.84	-0.3	2228.70	2262.74	2282.35	2119.09	6.70	[illegible].30	8.11	135.09	1279.21
69 NON-FINANCIALS(665)	2035.27	+0.2	2030.91	2053.04	2042.71	1885.39	3.90	[illegible].81	17.71	85.55	1583.46
70 FINANCIALS(104)	3368.56	+0.2	3361.26	3417.75	3387.46	2909.72	3.96	[illegible].36	13.37	129.85	1485.94
71 Banks, Retail(8)	4850.02	+0.3	4834.84	4919.47	4861.89	4131.93	3.76	[illegible].70	12.33	182.15	1623.45
72 Banks, Merchant(6)	3877.69	+0.1	3872.31	3924.40	3872.05	3630.91	2.69	[illegible].01	15.47	104.20	1251.09
73 Insurance(21)	1551.00	-0.5	1558.25	1593.10	1591.35	1455.04	5.41	[illegible].29	10.07	80.65	1201.57
74 Life Assurance(7)	3945.20	+0.5	3926.15	3991.94	3992.13	3462.71	3.94	[illegible].78	17.79	151.01	1677.36
77 Other Financial(20)	2770.07	-0.1	2774.18	2785.78	2780.90	2412.20	4.04	[illegible].78	17.44	104.43	1616.01
79 Property(42)	1697.23	+0.4	1691.19	1715.01	1699.47	1399.35	3.79	[illegible].30	25.27	56.68	1067.45
80 INVESTMENT TRUSTS(126)	3129.25	+0.1	3126.26	3163.27	3141.36	3011.32	2.28	[illegible].13	48.70	70.16	1107.26
89 FTSE All-Share(895)	1955.25	+0.2	1951.14	1974.62	1963.13	1791.24	3.86	[illegible].90	17.04	79.64	1693.77
FTSE Fledgling	1207.48	+0.1	1206.35	1210.60	1205.52	1105.87	2.90	[illegible].69	62.61	34.10	1282.99
FTSE Fledgling ex IT	1221.76	+0.1	1220.09	1223.60	1218.62	1108.26	3.10	[illegible].61	66.00	37.22	1300.20

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3987.7	3987.9	3997.9	3999.6	4004.1	4000.2	4005.5	4008.5	[illegible]98.3	4009.9	3983.0
FTSE 250	4369.2	4369.0	4371.2	4374.0	4376.7	4377.1	4378.6	4381.0	[illegible]78.6	4381.2	4368.5
FTSE 350	1980.9	1981.0	1985.1	1986.1	1988.1	1986.6	1988.8	1990.2	[illegible]81.3	1990.7	1979.1

Time of FTSE 100 Day's high: 2:45 PM Day's low: 8:46 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: [illegible] (15/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1142.6	1143.2	1148.3	1146.6	1147.0	1147.0	1147.0	1147.6	1146.0	[illegible]46.3	1143.5	+2.8
Pharmaceuticals	5618.3	5597.9	5634.5	5632.4	5631.3	5622.7	5630.1	5652.6	5650.1	[illegible]52.7	5629.7	+23.0
Water	2214.5	2214.5	2223.4	2228.6	2224.0	2221.0	2220.7	2222.5	2206.6	[illegible]06.4	2213.4	-7.0
Banks, Retail	4905.8	4908.4	4910.5	4917.8	4930.7	4927.3	4933.6	4938.6	4903.6	[illegible]11.9	4898.6	+15.3

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			
Burton†	1,500	184	+1¼
Cable & Wire†	2,400	452	+4
Cadbury Schweppes†	2,800	489	+6
Caradon	1,700	235	+3½
Carlton Comms.†	2,400	493	+2
Chubb	2,200	314	-5
Coats Viyella	527	129	-½
Comm. Union†	2,500	644	-1
Compass	415	626½	
Cookson	1,200	212	+1
Courtaulds†	1,400	373	-8½
Dalgety	662	339	+10½
De La Rue	1,100	539	-2
Dixons†	1,400	556½	
EMI†	634	1286½	-13½
East Midland Elect.	1,000	625½	+2½
Electrocomps	348	459	-1
Eng China Clays	117	181	+½
Enterprise Oil†	2,400	581	-6½
FKI	1,300	202	-1
Foreign & Col. I.T.	829	150½	+¼
Gen. Accident†	660	700½	-2
General Elect.†	4,400	387½	+2½
Glaxo Wellcome†	7,900	944	+6
Glynwed	504	334	-½
Granada†	1,200	865½	-8
Grand Met.†	4,500	435	-½
GUS†	2,000	632	+6
Greenalls	1,400	591½	-10½
GRE†	3,000	265	-1½
GKN†	749	1055	+1
Guinness†	3,300	436	+6
HSBC (75p shs)†	4,800	1246½	+½
Hammerson	63	393½	+1½
Hanson†	4,800	80½	+½
Harrisons Crosfield	2,000	132½	+2½
Hays	1,300	534½	-3½
Hillsdown	2,800	166	
Hyder	265	731	+1
IMI	302	379	+4½
ICI†	705	783	-6
Imperial Tobacco†	5,500	385	+4
Inchcape	1,800	257½	+7
Johnson Matthey	631	529½	+3
Kingfisher†	1,200	609½	-6½
Kwik Save	59	312½	
Ladbroke†	2,000	216	
Land Securities†	1,300	721½	+3
Laporte	461	656½	+12
Legal & General†	6,600	358	-3
Lloyds Abbey	248	665	-½
Lloyds TSB†	7,300	417	-2
LASMO†	1,200	221	+3
London Elect	979	651½	+11½
Lonrho	1,500	119½	
LucasVarity†	3,300	229½	
MEPC	491	434½	+2
MFI	7,100	192½	+3
Marks & Spencer†	2,300	484½	-2
Mercury Asset Man	801	1231½	-4
Morrison (Wm.)	116	158½	-½
NFC	1,100	176	+1
NatWest Bank†	7,500	672	+6
National Grid†	2,700	186	
National Power†	2,100	451	+4½
Next†	357	567	-1½
Northern Elect.	388	602½	+7
Northern Foods	1,300	198	+1
Orange†	26,200	178½	+9½
Pearson†	4,100	701	-10
P & O†	903	584½	-½
Pilkington†	3,700	144	-3½
PowerGen†	424	566	
Premier Farnell	219	667½	-½
Provident Financial	2,500	473½	
Prudential†	5,400	474½	+6½
REXAM	731	338½	+½
RMC†	192	974	+7½
RTZ†	2,100	945½	-8
Racal	1,300	242½	+1½
Railtrack†	2,100	354	+5
Rank Group†	1,500	424½	-1½
Reckitt & Colman†	2,100	676½	+4½
Redland†	1,700	351½	-8½
Reed Intl.†	2,200	1052	-2½
Rentokil Initial†	4,800	442½	-3½
Reuters†	3,800	699½	-6
Rolls Royce†	3,000	244½	+6
Royal & Sun Allce†	1,700	431	-3½
Royal Bk Scotland†	1,200	527½	+5
Safeway†	1,900	382½	+5½
Sainsbury†	1,600	354	-2
Schroders†	313	1507½	+5
Scottish & New.†	825	698	-½
Scot. Hydro-Elect.	1,300	314½	-2½
Scottish Power†	842	337	
Sears	6,400	93	
Sedgwick	410	121½	-1
Severn Trent†	1,900	652½	-6½
Shell Transport†	5,300	978	+5
Siebe†	1,100	994½	+9½
Slough Ests	104	260	-½
Smith (W.H.)	2,300	424½	+4½
Smith & Nephew†	3,500	178¾	+1¼
SmKl Beecham†	4,200	812½	+3½
Smiths Inds.†	418	752	+1½
Southern Elect	641	747½	+16
South West Water	612	582½	+7½
Standard Chartd.†	4,700	662½	+13
Storehouse	798	251	-1
T&N	2,000	170½	+4
TI Group†	280	542½	+3
Tarmac	782	91	+½
Tate & Lyle†	945	455	+1½
Taylor Woodrow	378	154½	
TeleWest Comms	1,400	121	+2
Tesco†	5,800	348	+3
Thames Water†	518	572½	-1½
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are included. Source: Reuters, part of FT Information.

هكذا من الاصل

هكذا من الافضل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 12 / Frs.)

[illegible]

CZECH REP (Dec 12 / Koruna)

[illegible]

DENMARK (Dec 12 / Kr)

[illegible]

FINLAND (Dec 12 / Mka)

[illegible]

FRANCE (Dec 12 / Frs.)

[illegible]

GERMANY (Dec 12 / Dm.)

[illegible]

GREECE (Dec 12 / Drachma)

[illegible]

ITALY (Dec 12 / Lire)

[illegible]

NETHERLANDS (Dec 12 / Fls.)

[illegible]

NORWAY (Dec 12 / Kroner)

[illegible]

POLAND (Dec 12 / Zloty)

[illegible]

PORTUGAL (Dec 12 / Escudo)

[illegible]

SPAIN (Dec 12 / Pts.)

[illegible]

SWEDEN (Dec 12 / Kronor)

[illegible]

SWITZERLAND (Dec 12 / Frs.)

[illegible]

TURKEY (Dec 12 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Dec 12 / Yen)

[illegible]

HONG KONG (Dec 12 / H.K.$)

[illegible]

INDONESIA (Dec 12 / Rupiah)

[illegible]

MALAYSIA (Dec 12 / MYR)

[illegible]

NEW ZEALAND (Dec 12 / NZ $)

[illegible]

SINGAPORE (Dec 12 / S$)

[illegible]

AUSTRALIA (Dec 12 / Aust$)

[illegible]

SOUTH KOREA (Dec 12 / Won)

[illegible]

TAIWAN (Dec 12 / TW $)

[illegible]

THAILAND (Dec 12 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 12 / Can $)

4 pm close

[illegible]

MONTREAL (Dec 12 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 12 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high/low. # Dealings susp. xd Ex div. xc Ex scrip issue. xr Ex rts. xa Ex all. † Priced in US $. (H) Owing to problems at the exchange some Hong Kong prices may be incorrect.

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INDICES

	Dec 12	Dec 11	Dec 10	1996 High	1996 Low
Argentina					
General(29/12/77)	(c)	17600.60	18100.18	18881.96 20/5	15097.25 22/8
Australia					
All Ordinaries(1/1/80)	2339.6	2359.3	2361.8	2394.70 25/11	2098.10 17/7
All Mining(1/1/80)	913.9	923.2	930.2	1118.40 8/5	912.30 6/12
Austria					
Credit Aktien(30/12/84)	376.38	380.48	383.44	394.98 31/5	348.19 6/9
Traded Index(2/1/91)	1121.90	1121.88	1127.97	1142.51 29/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1862.98	1871.55	1882.14	1898.55 3/12	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(c)	66778.0	68559.0	69471.00 5/12	40891.00 2/1
Canada					
Metals Mnls‡(1975)	(c)	5294.59†	5361.78	5524.60 8/5	4687.47 16/1
Composite‡(1975)	(c)	5781.70	5819.50	6018.85 28/11	4230.70 15/1
Portfolio$$(4/1/83)	(c)	2858.43†	2947.58	3028.76 28/11	2327.38 12/1
Chile					
IGPA Gen‡(31/12/80)	(c)	4983.67	5019.17	5904.38 8/1	4873.84 6/12
Denmark					
CopenhagenSE(3/1/83)	460.38	461.06	463.70	463.70 10/12	368.40 2/1
Finland					
HEX General(28/12/90)	2437.32	2434.25	2491.99	2491.99 10/12	1851.57 10/1
France					
SBF 250(31/12/90)	1499.05	1498.62	1520.09	1570.26 3/12	1280.18 2/1
CAC 40(31/12/87)	2212.11	2213.28	2251.40	2348.11 3/12	1887.86 11/1
Germany					
FAZ Aktien(31/12/58)	983.68	984.49	998.74	1008.18 5/12	818.56 2/1
Commerzbank(1/12/53)	2868.90	2872.10	2919.60	2938.80 5/12	2370.10 2/1
DAX(30/12/87)	2847.06	2841.85	2891.00	2909.91 5/12	2284.86 2/1
Greece					
Athens SE(31/12/80)	905.65	909.34	903.30	1017.98 4/3	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	(u)	13189.60	13342.45	13530.95 27/11	10204.87 2/1
India					
BSE Sens (1979)	2880.25	2841.36	2798.57	4069.26 18/6	2745.09 4/12
Indonesia					
Jakarta Comp(10/8/82)	627.89	626.57	626.57	634.57 9/12	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2655.38	2665.05	2684.19	2700.04 4/10	2234.81 2/1
Italy					
Banca Comm Ital(1972)	640.82	643.09	652.39	674.10 20/5	572.21 27/3
MIB General(2/1/95)	1087.0	1091.0	1106.0	1142.00 20/5	978.00 27/3
Japan					
Nikkei 225(16/5/49)	20501.20	20568.38	20822.12	22666.80 26/6	18734.70 13/3
Nikkei 300(1/10/82)	286.08	288.70	292.38	319.70 26/6	284.48 11/3
Topix(4/1/68)	1512.43	1524.90	1542.99	1722.13 26/6	1512.43 12/12
2nd Section(4/1/68)	1924.20	1931.15	1937.24	2251.48 2/7	1924.20 12/12
Malaysia					
KLSE Comp.(4/4/86)	1199.69	1204.39	1214.58	1234.73 26/11	993.18 2/1
Mexico					
IPC(Nov 1978)	(c)	3241.75	3307.06	3433.75 27/8	2738.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	706.3	703.1	714.3	730.20 3/12	539.60 2/1
CBS All Shr(End 83)	414.5	412.6	419.3	428.50 3/12	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2362.52	2377.53	2357.57	2383.92 5/12	2025.14 7/8
Norway					
Oslo SE(Ind)(2/1/83)	1590.58	1587.55	1617.26	1617.26 10/12	1258.88 30/1
Philippines					
Manila Comp(2/1/85)	3129.11	3160.76	3128.38	3374.40 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	2121.48	2113.26	2118.59	2121.48 12/12	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	525.39	533.83	537.23	618.37 5/2	503.78 21/10
South Africa					
JSE Gold(28/9/78)	1533.2♥	1542.1	1526.4	2030.40 29/5	1346.40 2/1
JSE Ind.(28/9/78)	7814.7♥	7851.8	7897.4	8739.30 25/1	7582.40 21/8
South Korea					
KoreaCompEx**(4/1/80)	699.38	704.68	702.83	986.84 7/5	699.38 12/12
Spain					
Madrid SE(30/12/85)	404.18	405.27	411.25	411.42 3/12	320.78 11/1
Sweden					
AffaersvarldenGen(1/2/37)	2315.1	2311.4	2353.3	2354.20 5/12	1706.88 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1829.26	1831.53	1845.08	1855.16 3/12	1516.19 17/1
SBC General(1/4/87)	1294.38	1295.95	1304.98	1315.83 3/12	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	6826.62	6802.74	6841.03	6882.81 2/12	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	872.25	885.86	(c)	1415.04 6/2	872.25 12/12
Turkey					
Istanbul Comp.(Jan 1986)	90823.5	91828.7	93217.1	94407.20 6/12	38778.30 2/1
WORLD					
MS Capital Intl(1/1/70)	813.1*	818.1	823.5	837.20 25/11	728.50 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1855.68	1854.05	1877.65	1888.40 3/12	1604.40 11/1
Euro Top-100(26/6/90)	1550.72	1548.87	1572.57	1583.23 3/12	1333.01 11/1
HSBC JC Dygn(31/12/88)	(u)	412.01	414.56	428.20 27/11	344.19 2/1
ING Bngs Emrg(7/1/92)	(u)	159.15	159.21	165.91 4/7	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Dec	2221.0	2215.0	-	2237.0	2194.0	17,338	24,223
Jan	2227.5	2219.5	-	2240.5	2205.0	2,225	6,116
DAX							
Dec	2858.0	2850.0	+14.0	2865.0	2841.0	28,059	-
Mar	2878.0	2871.0	+14.5	2885.0	2864.0	6,301	-
OMX							
Dec	1815.00	1808.00	+4.00	1822.00	1796.00	7,914	20,138
Jan	1818.00	1811.75	-3.25	1828.00	1803.50	2,904	11,874
SOFFEX							
Dec	3869.0	3859.0	+11.0	3873.0	3851.0	4,631	21,077
Jan	3867.0	3866.5	+3.00	3873.4	3862.0	976	3,824

** Sat Dec 7 : Taiwan Weighted Price 6779.61; Korea Comp Ex 698.11. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 11 - 2836.36 -54.59.

US INDICES

Dow Jones	Dec 11	Dec 10	Dec 9	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6402.52	6473.25	6463.94	6547.79 (25/11)	5032.94 (10/1)	6547.79 (25/11/96)	41.22 (8/7/32)
Home Bonds	103.16	103.46	103.46	108.08 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2286.97	2311.15	2298.82	2315.47 (5/12)	1882.71 (18/1)	2315.47 (5/12/96)	13.23 (8/7/32)
Utilities	230.57	232.04	233.23	238.12 (25/11)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6457.88 (6545.58) Low 6317.94 (6427.04) (Theoretical♣)
Day's high 6472.87 (6512.98) Low 6343.31 (6464.69) (Actual♣)

Standard and Poors	Dec 11	Dec 10	Dec 9	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	740.73	747.54	749.76	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials♥	871.34	878.23	881.43	887.48 (2/12)	702.07 (15/1)	887.48 (2/12/96)	3.52 (30/6/32)
Financial	81.17	82.47	82.44	84.93 (29/11)	58.67 (10/1)	84.93 (29/11/96)	7.13 (4/8/74)
NYSE Comp.	389.54	393.90	394.69	398.86 (25/11)	321.41 (10/1)	398.86 (25/11/96)	4.64 (28/4/42)
Amex Mkt Val	583.92	590.79	590.48	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Comp	1309.12	1312.55	1316.27	1318.27 (9/12)	988.57 (15/1)	1318.27 (9/12/96)	54.87 (3/10/74)

RATIOS

	Dec 6	Nov 29	Nov 22	Year ago
Dow Jones Ind. Div. Yield	2.05	2.02	2.06	2.27
	Dec 11	Dec 4	Nov 27	Year ago
S & P Ind. Div. yield	1.85	1.83	1.81	1.95
S & P Ind. P/E ratio	23.04	23.05	23.30	19.06

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Micron	12,142,200	35¾	+1¾
Philip Morris	6,888,300	117⅞	+1
IBM	5,859,800	158⅛	-1⅜
PepsiCo	5,792,300	28⅝	-⅝
Gen Elec	4,627,800	97	-1
AT&T	4,424,800	38¼	-⅜
Seagate	4,218,700	40½	+1
H Packard	3,984,800	53¼	-1⅞
Compaq	3,672,600	83⅜	+⅛
Moneygram	3,761,500	13⅝	+1⅝

TRADING ACTIVITY

● Volume (million)	Dec 11	Dec 10	Dec 9
New York SE	494.193	446.115	381.573
Amex	21.225	21.537	20.293
NASDAQ	646.210	692.669	589.529
NYSE			
Issues Traded	3,323	3,335	3,331
Rises	502	1,395	1,930
Falls	2,138	1,135	636
Unchanged	683	815	766
New Highs	57	209	155
New Lows	55	21	15

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	739.00	743.50	+3.95	745.50	737.80	111,683	134,576
Mar	751.55	750.50	+3.95	752.50	750.20	30,994	90,978

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	20480.0	20520.0	-60.0	20540.0	20350.0	15,629	152,747
Mar	20500.0	20540.0	-80.0	20580.0	20390.0	29,400	201,085

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, December 12, 1996

	Stocks Traded	Closing Prices	Change on day
Honda Motor	16.5m	3100	-70
Keisei Elect Ry	6.6m	826	-34
Bk Tk-M'bishi	3.8m	2060	-60
Nippon Steel Cp	3.3m	333	
Hitachi	2.8m	1070	
Mitsubishi Hvy	2.8m	928	-10
NEC Corp	2.8m	1400	
Toyota Motor	2.7m	3150	-70
Toshiba Corp	2.5m	735	-5
Hitachi Zosen	2.3m	474	-11

NEW YORK STOCK EXCHANGE PRICES

4 pm close December 12

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
31¼	17¾	AAR	0.48	1.7	25	379	28⅛	27⅝	27¾	-1¼
46⅛	33	AMP	1.00	2.6	18	10375	39⅝	37⅞	38⅛	+½
97½	68	AMR			17	3287	82¾	80⅞	80⅝	-3⅛
50½	36⅞	ASA	1.40	3.8	24	458	37⅛	d36⅞	36⅞	-⅜
57⅞	38⅛	AbbotL	0.96	1.9	21	9928	52⅛	51	51⅛	-1⅛
17⅛	12¼	Abitibi Pr x	0.40	2.8	7	1739	14¾	14½	14½	+⅛
20¼	13½	ABM Ind	0.35	2.2	16	348	16	15⅞	15⅞	-⅛
22½	13⅞	Acptncein			10	67	20½	20⅜	20⅜	-⅛
60	37¾	ACE Ltd	0.56	0.9	14	494	u60	59⅝	59½	+⅞
10⅜	9⅛	ACM Gvt In	0.86	8.5	8	534	10⅛	10	10⅛	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	7.9		1311	7¼	7⅛	7¼	+⅛
9⅞	8⅜	ACM Man x	0.80	9.4		111	9¾	9⅝	9⅝	
13⅞	6⅛	Acme Elect	0.32	4.4	55	66	7⅜	7¼	7¼	-⅜
21⅝	13⅞	Acme Mills			14	165	20⅜	19¾	19⅞	+¼
33¾	27¼	Acordia v	0.80	2.8	14	49	29½	29	29	-⅜
24⅛	12	Acuson			110	2540	23¼	21½	23¼	+1⅝
21⅛	17⅞	Adams Expr	0.55	2.8	1	199	19⅝	19⅜	19½	+⅛
28⅜	10⅛	AdvMic			27	22931	u28⅜	27⅛	27⅛	+¼
11⅛	8½	Advest Grp	0.16	1.6	7	11	10⅛	10⅛	10⅛	
26⅛	9⅛	Advo Inc	0.10	0.9	69	250	11⅞	11⅝	11⅝	-¼
56⅝	41⅛	Aegon	1.45	2.6	17	65	55¼	54¾	55⅛	-⅝
6¾	3½	Aeroflex			2	204	4⅝	4¼	4¼	-¼
76½	57⅝	Aetna	0.80	1.1	9	4991	74½	72⅞	72⅞	-1⅝
44	28¼	AfiLcomp	0.40	1.0	17	935	41¾	40⅞	41	-¼
22	17⅞	AGL Res			15	282	21⅜	20⅝	20⅝	-⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

4 pm close December 12

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
73¼	50½	ScanPl	1.32	2.0	21	6307	66⅛	65⅛	65⅛	-1⅞
108¼	65⅞	Schlmb	1.50	1.5	31	6657	100⅛	97½	97⅞	-1¾
14½	8⅛	Schlr			5	374	10⅛	9⅞	10	
32¼	18⅝	SchwebA(C)	0.18	0.6	24	2253	29¾	29⅛	29⅜	+⅛
33⅝	22¾	SchwMaud	0.60	1.8	16	61	33⅛	33	33	
20⅞	12	SciAtl$	0.06	0.4	76	3372	17⅛	16⅝	16¾	-¼
24⅞	17	Scotsman	0.10	0.4	13	43	24½	24⅛	24⅜	+¼
18⅞	12½	ScuddrNAsF	0.02	0.2		209	12⅞	12¾	12¾	-⅛
14⅜	11	ScuddrNEuF	0.16	1.2		119	13¾	13½	13⅝	-⅛
20¾	14¾	SeaCnA	0.77	5.1	22	1054	15⅛	14⅞	15	
16	15	SeaC1.4625	1.46	9.4		7	15½	15¼	15½	
42⅞	18	S'gate				3820086	41½	39⅞	40	-⅝
41¼	30⅞	Seagrm	0.61	1.6	27	1953	40⅜	39⅜	39⅞	-⅝
25	17⅛	Seagull En	1.20	5.6	51	2329	21¾	21⅛	21½	+⅝
44⅛	26	Sealed Air	0.64	1.6	26	193	41¼	40¾	40⅞	
53⅞	38¼	SearsR	0.92	2.0	17	9965	47⅛	46½	46⅝	+⅜
20¾	17	ScCpSBM$	1.24	6.1	14	3907	20⅝	20¼	20¼	
13	11⅞	Seligm Sel x	0.84	6.7		149	12¾	12½	12⅝	-¼
23¾	13⅝	Sensormat	0.22	1.1	12	625	19½	19	19¼	
46½	29½	SequaA	0.60	1.5	42	8	40	40	40	-¼
53⅝	39	SequaB	0.50	1.0	61	20	48¼	48½	48½	-⅞
31¾	19½	ServCp	0.24	0.9	26	2712	28⅝	27½	27½	-1
26⅝	19½	SvMstr	0.68	2.7	15	1054	25⅜	24⅞	25¼	-⅛
8½	4⅛	ServMerch			15	12793	u8½	8⅛	8⅜	+⅜
72⅞	28½	SGSThm			14	2591	69⅝	66⅛	68⅝	-1½

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	6½	Zenix Inc	0.73	10.2		70	u7¼	7⅛	7⅛	
22⅞	15⅛	Zero	0.12	0.6	16	21	19¼	19⅛	19⅛	
29	18½	Zero Ind x	0.40	1.5	28	587	27½	26⅛	26¼	-1½
11⅜	10½	Zweig Fund	1.06	10.0		315	10⅞	10¾	10¾	
9	8¼	Zweig Tot x	0.84	10.2		1511	8⅜	d8¼	8¼	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

AMEX PRICES

4 pm close December 12

NASDAQ NATIONAL MARKET

4 pm close December 12

FINANCIAL TIMES Friday December 13 1996

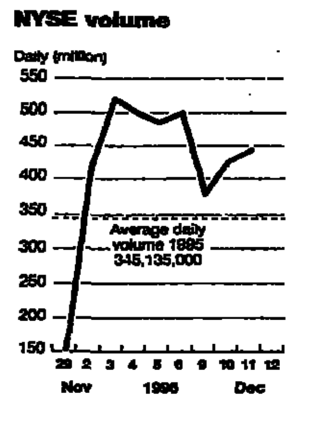
Further bond market slide hurts Dow

AMERICAS

US shares slipped at midsession on the heels of the bond market, which began to slide in the early afternoon, *writes Lisa Bransten in New York.*

Major indices started the session stronger as economic data, showing no looming inflation threat, helped lift the bond market. By midday, however, the bearish tone that propelled fixed interest stocks lower on Wednesday held sway and bonds retreated into negative territory, sending the yield on benchmark 30-year Treasuries to 6.63 per cent.

NYSE volume



At 1 pm the Dow Jones Industrial Average was 41.90 lower at 6,360.62 and the more broadly traded Standard & Poor's 500 gave up 5.04 at 735.69. Volume on the NYSE came to 273m shares.

Technology shares were also mostly lower but the Nasdaq composite, which is weighted toward that sector, got some support from its largest component, Intel. By early afternoon the Nasdaq was off just 1.06 or less than 0.1 per cent at 1,308.06, while the Pacific Stock Exchange technology index lost 0.4 per cent.

Smaller capitalisation shares continued to outperform blue chips on the Dow and S & P yesterday with the Russell 2000 index of small-cap stocks gaining 0.23 at 357.93. Smaller companies have hardly participated in the market's strong run since August, but have begun to catch up in recent sessions.

Intel added another $2⅞ to the $7⅞ they rose on Wednesday, bringing the shares to $139⅝. Meanwhile, Microsoft lost $⅝ at $83½.

Interest-rate sensitive banks lost ground amid the rise in bond yields. Chase Manhattan Bank slipped $2⅝ to $86, Citicorp shed $2⅞ at $98¾, Wells Fargo Bank dropped $4 to $264 and BankAmerica lost $2⅝ at $94⅝.

BankAmerica stock might also have been affected by the California bank's announcement early yesterday that it planned to restructure its business and take a $165m charge in the fourth quarter.

Shares in Gucci Group jumped $3¾ or 5 per cent at $70⅞ after an analyst at Robertson Stephens issued a positive research note on the luxury goods company.

Disney lost $1⅞ at $71 amid speculation that Mr Michael Ovitz, president of the entertainment giant, was considering leaving.

TORONTO continued to weaken after falling more than 138 points on Wednesday. But dealers described trading during the morning session as light. At noon, the 300 composite index was off 26.81 at 5,754.88.

Among sectors, conglomerates and financial services suffered the heaviest losses, slipping 1.9 per cent and 1.3 per cent respectively.

Royal Bank of Canada retreated 65 cents to C$47.10 and Toronto-Dominion Bank 40 cents to C$33.00. At C$34.25, Canadian Pacific was 75 cents lower. Among golds, Barrick Gold gained 95 cents to C$39.45.

Alcan Aluminium put on a defensive display while Moore Corporation showed its resilient side. The former came off 5 cents to C$46.60. Moore added 20 cents to C$27.30.

Caracas jumps 2.7%

CARACAS shook itself out of its pre-Christmas torpor to put in an unexpectedly strong showing, and by midsession the IBC index was 160.65 or 2.7 per cent higher at 6,118.52. The rebound came as Electricidad de Caracas, weak on Wednesday, picked up 13.30 bolivars to 516.05 bolivars.

BUENOS AIRES put in a steadier morning after Wednesday's 3.7 per cent fall and, by midsession, the Merval index had eased 4.21 to 604.77.

SANTIAGO edged lower, with attention turned to Cruz Blanca on worries that the group was finding difficulty in selling its insurance subsidiary. The IPSA index eased 0.16 to 90.69.

SAO PAULO edged ahead as Wednesday's 2.6 per cent fall brought out the bargain hunters. By midsession, the Bovespa index was 195 higher at 66,973.

Currency worries in Joburg

Share prices in Johannesburg streamed steadily lower on a broad front, as a result of currency worries which flared back out into the open.

At the close of the session, the rand was 8 cents lower against the dollar and stock market sentiment was severely undermined. The overall share index was off 32.1 at 6,607.0.

Industrials again did most of the damage, sliding 37.1 to 7,814.7 and helping to push turnover up to record levels. Gold shares eased 8.9 to 1,533.2.

Traders said that turnover was boosted to R1.07bn – topping the R999.7m peak set in April – by a big overnight asset swap. Among individual stocks, Sasol came off R1.50 to R55.25 and Gold Fields lost R8.50 to R130.

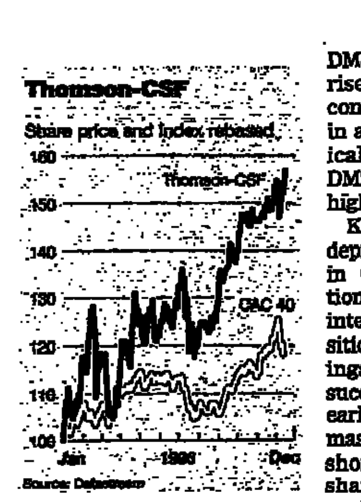
Thomson-CSF excitement enlivens Paris

EUROPE

A wobbly morning on Wall Street was reflected in Europe. However, PARIS investors reacted to the news that the government was to invite bids for its controlling stake in Thomson-CSF by pushing the shares up almost 4 per cent.

The stock, which touched an intraday best of FFr173.50, closed FFr6.00 higher at FFr172 in volume of 333,000 shares.

Buoyed by takeover speculation, CSF had produced one of the Paris bourse's stronger runs this year. It was trading at around FFr100 in January. Brokers' immediate take-out target prices seemed to range between FFr180 and FFr220.



Alcatel Alsthom and Lagardère, both of which took part in the earlier, aborted auction of the Thomson group as a whole, gained ground. The former added 90 centimes at FFr425.40 and Lagardère FFr1.80 at FFr150.50.

Pernod Ricard was the day's least liked CAC stock, sliding FFr8.60 or 3.1 per cent to FFr268.90 on US tariff moves.

Among retailers, Promodes dipped FFr6 to FFr1,386 as talk of a bid for Casino gained ground. Casino added FFr8.50 to FFr244.5 for a two-day gain of 6 per cent.

At the close of the session, the CAC 40 was 1.17 lower at 2,212.11. News of the big deal between Bouygues, off FFr10 at FFr546, and a slightly harder Saint-Gobain came well after market hours. If nothing else, the link was expected to refocus investor attention on the potential for French corporate activity.

FRANKFURT's Dax index topped 2,860 before closing 10.58 higher at 2,846.94 as turnover eased again, from DM10.4bn to DM9.5bn.

The bourse was fearful in some areas, and emphatically bullish in others. The contrast was exemplified by another fall in Karstadt, Germany's biggest department store retailer, down DM15 at a new 1996 low of DM498, and by yet another rise in Hoechst, the most consistently favoured stock in a high performance chemicals sector. Hoechst was DM2.17 better at a new 1996 high of DM73.05.

Kardstadt had been depressed by the downtrend in German retail consumption, and the long haul in integrating the Hertie acquisition, expected to hurt earnings for the third year in succession. It had a feeble, early attempt at a pre-Christmas rally, but this was cut short: by last night, the shares had fallen 14.5 per cent since November 5.

Over the same period, Hoechst had climbed another 19.9 per cent. This week, which took in a cross-border, speciality chemicals merger and the acquisition of the Roussel Uclaf minority, saw the shares 9 per cent higher in just four days.

AMSTERDAM saw further heavy action in Philips which recovered much of Wednesday's setback, thanks to revived disposal talk.

Philips rose Fl1.20 to Fl67.40 in 3.2m shares after it confirmed that a cable TV disposal was one of a number of options under discussion. Royal Dutch also rallied, improving Fl4.90 to Fl287.90. Nedlloyd, a weak market lately, jumped Fl1.20 to Fl45.90.

The AEX index ended the session 0.85 firmer at 611.41.

ZURICH edged higher but in cautious trade, with investors still concerned about developments in global markets. The SMI index finished 2.4 ahead at 3,860.0.

Activity was again seen in Elektrowatt, the industrial and utility group, on speculation that CS Holding had set December 16 as the deadline for offers for its 44.9 per cent stake. Elektrowatt firmed SFr11 to SFr518 and CS Holding was SFr1.75 higher at SFr135.75.

Clariant saw some early profit-taking after the 27.7 per cent surge of the previous two sessions, which followed news of the merger with Hoechst's speciality chemicals operations. The shares pulled back to SFr552 before erasing the loss in subsequent trade, to close flat at SFr572.

MILAN was driven by external factors, moving lower as Wall Street retreated and depressed by profit-taking in the debt market. The Comit index lost 2.27 to 640.82 while the real-time Mibtel index was 66 weaker at 10,610.

Fiat gave up L44 to L4,269 as the group said that it planned to trim production in January by 10,300 vehicles with temporary layoffs.

Mediaset, the TV and advertising group, fell L57 to L7,000 after an accord between the centre right opposition and the centre left ruling coalition over extending TV broadcasting licences broke down, following protests from RAI, the state broadcaster.

STOCKHOLM was weakened for much of the day by preliminary figures for Norwegian pulp inventories, which showed an increase of more than 185,000 tonnes from October to November. The forestry sector fell 1.9 per cent.

However, the broad market was rescued by the Handelsbanken bid for Stadshypotek, the mortgage bank. The two shares rose by SKr7.50 to SKr196, and SKr8 to SKr188 respectively, the banking sector by 3 per cent and the Affärsvärlden General index by a token 3.7 to 2,315.1. Skandia, the insurance group which had lodged an earlier, and politically unpopular bid for Stadshypotek, rose SKr4 to SKr190.

VIENNA saw a similar situation among its financials but the banks were much less excited, and there was a distinct contrast in its treatment of the insurer.

Bank Austria came into the long-running Creditanstalt situation as a bidder, and the duo rose by Sch5 to Sch807, and Sch3 to Sch523 respectively. However, this triggered a drop of Sch280 or 8.2 per cent to Sch3,120 in EA-Generali, the insurance group which had led a bidding consortium since May, 1994. The Bank Austria bid was seen to threaten lucrative insurance business which EA enjoyed jointly with Creditanstalt.

BUDAPEST surfed on a rising equity trend in the European mid-afternoon and the Bux index, 15.73 better at 3,813.76, registered another all-time high.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Dec 12							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1854.32	1854.59	1854.70	1853.82	1853.37	1854.83	1856.19	1855.83
FTSE Eurotrack 200	1896.05	1898.11	1895.25	1897.48	1898.28	1898.94	1902.50	1900.22

	Dec 11	Dec 10	Dec 9	Dec 6	Dec 5
FTSE Eurotrack 100	1854.05	1877.65	1869.86	1847.18	1833.77
FTSE Eurotrack 200	1896.59	1919.60	1907.05	1890.74	1822.76

Base value 1000 (26/10/90). High/day: 100 - 1857.26; 200 - 1903.04 Low/day: 100 - 1852.87 200 - 1894.84. † Partial. © FTSE International Limited 1996. All rights reserved.

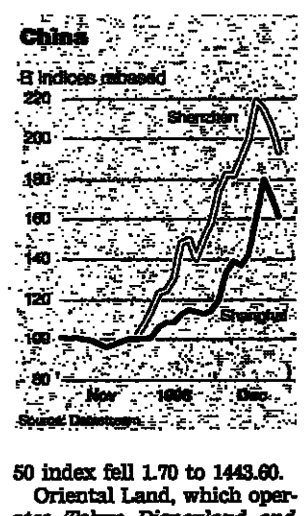
Shenzhen crackdown accelerates B share fall

ASIA PACIFIC

China's hard currency B shares took a tumble as securities authorities in SHENZHEN launched a crackdown on mainland Chinese buying the shares, which were originally targeted at foreign investors.

Shenzhen's B index fell 11.23 or 6 per cent to 175.22 after hitting an intra-session low of 171.07. Turnover fell to HK$395.8m from Wednesday's HK$509.8m.

Of 43 Shenzhen-listed B shares, 41 fell and only two rose.



Brokers said that, on orders from the securities authorities, securities firms in Shenzhen had stopped accepting B share trading account applications from domestic investors, unless they used funds from outside mainland China.

The crackdown triggered worries that the SHANGHAI authorities would follow suit, and its B index tumbled 5.127 points or 6.4 per cent to 75.558. Both indices had soared in recent weeks on heavy buying by mainland Chinese investors.

TOKYO was weak on Wall Street's Wednesday sell off, and cautious ahead of today's December futures and options settlement, *writes Our Markets Staff.*

The Nikkei 225 average closed 67.18 lower at 20,501.20, just below its day's high of 20,504.49 and after a low of 20,321.32. Brokers said that short covering ahead of the settlement was responsible for the intra-day recovery.

Turnover fell from 321m shares to 291m, declines leading advances by 764 to 296 with 181 unchanged. The broader Topix index outpaced the Nikkei on the downside, falling 12.47 or 0.8 per cent to 1,512.43, and the Nikkei 300 lost 2.62 or 0.9 per cent at 286.08.

In London, the ISE/Nikkei 50 index fell 1.70 to 1443.60.

Oriental Land, which operates Tokyo Disneyland and which made its market debut on Wednesday, fell on profit-taking, closing Y290 lower at Y8,510. Oriental's main shareholder, Keisei Electric Railway, fell for the second day in succession, losing Y34 at Y826.

News that Yaohan Japan, the supermarket chain, was seeking to raise supplier credit from one month to two left its shares at Y441, down Y100 or 18.5 per cent, with the biggest percentage loss on the first section.

Meanwhile a consumer lender, Takefuji, rose for the fourth consecutive day on the over-the-counter market, gaining Y320 at Y9,030.

In Osaka, the OSE average fell 189.20 to 20,698.37.

SEOUL dropped to another three year low, dragged down by heavy, derivatives-linked selling by institutions towards the close, and the composite index finished 15.30 or 2.2 per cent down at 689.38.

BOMBAY turned back after Wednesday's 5.1 per cent rise as the rebound drew in sellers, in the absence of news to push the market higher. The BSE-30 index finished 61.10 or 2.1 per cent lower at 2880.26.

Cement stocks were lower, in spite of figures showing that production and deliveries in November were higher than in October. ACC fell Rs39.50 to Rs1,000 and Gujarat Ambuja Cement shed Rs6.50 to Rs221.50.

HONG KONG was weak as cautious investors consolidated some of the gains of recent months. The Hang Seng index was quoted down 136.32 at 13,053.28 after touching a low of 12,960.81.

The Hang Seng and other indices, however, were subject to verification after a technical malfunction of the exchange's automatic order matching and execution system.

The finance sector was the worst performing, followed by the commercial and industrial sector.

JAKARTA edged higher with good demand for Telkom helping the composite index to a gain of 1.33 to 627.90. Declines led advances by 61 to 47, but Telkom, the telecommunications heavyweight, improved Rp125 to Rp3,975 in 6.6m shares.

"Telkom has kept the index above water on a day of steady profit-taking", said one broker. Bank Negara Indonesia fell Rp25 to Rp1,325 and Bank Umum Servitia dipped Rp25 to Rp1,100.

TAIPEI ended a roller-coaster session slightly higher. The weighted index, which swung within a 56-point range during the session, finished 22.68 ahead at 6,825.62. Turnover was T$43bn. Formosa Chemical Fibres gained T$1.60 or 3.85 per cent to T$43.20 and Formosa Plastics put on T$2.50 to T$70. Nan Ya, another key Formosa member, rose T$2 to T$65.50.

BANGKOK closed lower in thin trade of Bt2.4bn. The SET index fell 13.61 or 1.54 per cent to 872.25. Krung Thai Bank was the most actively traded stock, slipping Bt1.50 to Bt63. Dhana Siam Finance and Securities retreated Bt2 to Bt66.50.

MANILA succumbed to the overnight setback on Wall Street, slipping 31.65 or 1 per cent to 3,129.11. Disappointing results from Digitel Telecommunications Philippines left the shares trailing by 14 centavos at 2.06 pesos.

SYDNEY moved lower with banks stocks continuing to react negatively to Wednesday's interest rate cut. The All Ordinaries index dipped 19.7 to 2,339.5.

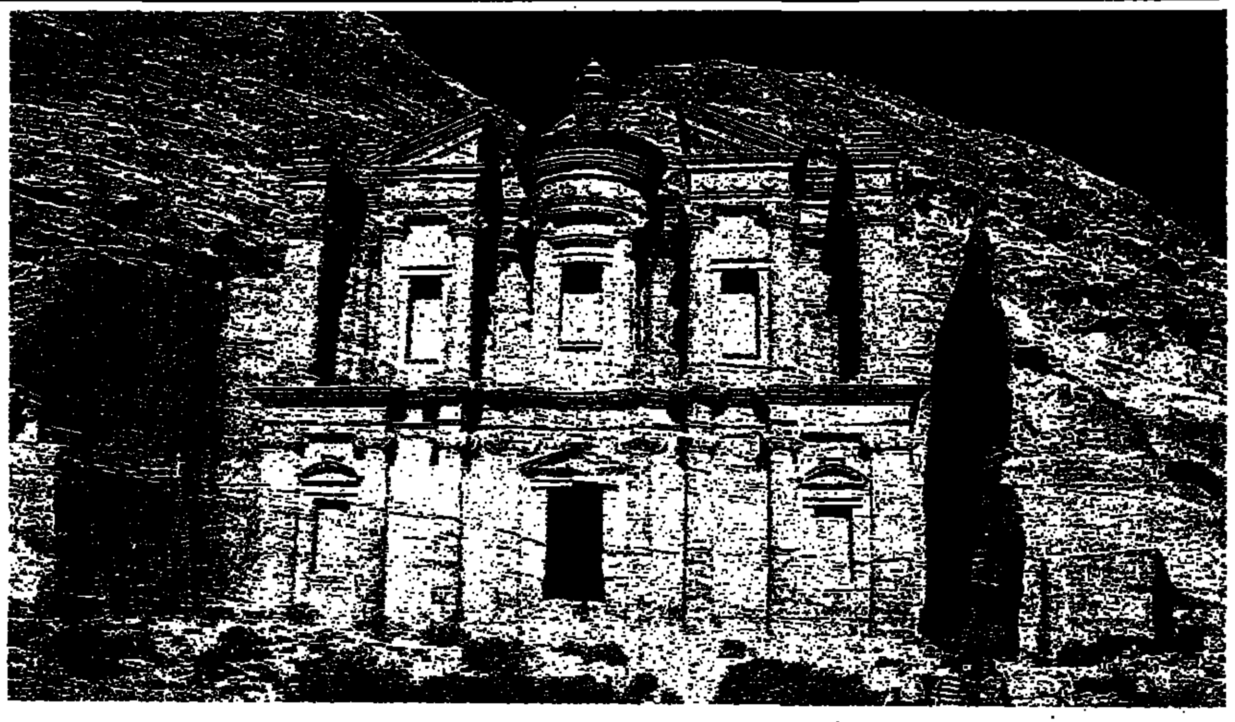
The bank index fell 1.6 per cent after a round of profit-taking. NAB fell 25 cents to A$14.83 and ANZ 13 cents to A$7.13. Westpac came off 12 cents to A$7.13.

WELLINGTON turned easier as investors awaited further political developments. The composite index closed off 15.01 at 2,382.52. NZ Telecom shaded 1 cent to NZ$7.37.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 11 1996								TUESDAY DECEMBER 10 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (77)	214.67	-1.5	192.23	153.13	172.00	180.22	-0.3	4.23	217.92	195.59	156.13	176.04	180.80	224.61	187.53	187.85
Austria (24)	186.44	0.6	166.95	132.99	149.38	149.31	-0.2	1.91	185.37	166.38	132.81	149.76	149.66	195.04	166.36	173.86
Belgium (27)	224.60	0.1	201.12	160.21	179.96	176.03	-0.7	3.79	224.26	201.31	160.69	181.19	177.21	229.11	203.56	203.56
Brazil (26)	180.57	-2.3	161.70	128.81	144.68	344.71	-2.2	1.78	184.78	165.85	132.39	149.27	352.39	189.70	131.21	138.81
Canada (116)	186.04	-2.9	166.60	132.71	149.07	183.58	-2.4	1.97	191.51	171.89	137.21	154.71	188.16	196.24	144.35	147.60
Denmark (30)	339.01	-0.2	303.57	241.83	271.63	272.17	-0.9	1.69	339.55	304.76	243.27	274.30	274.66	340.41	281.10	284.31
Finland (24)	239.99	-1.7	214.91	171.20	192.30	232.42	-2.4	2.16	244.11	219.10	174.89	197.20	238.15	244.11	171.73	213.14
France (93)	204.88	-0.8	183.47	146.15	164.16	167.69	-1.5	2.91	206.42	185.28	147.90	166.76	170.19	212.49	171.33	174.46
Germany (59)	187.15	-0.9	167.59	133.50	149.95	149.95	-1.7	1.81	188.79	169.45	135.26	152.51	152.51	189.86	161.25	162.49
Hong Kong (59)	501.34	-1.1	448.94	357.62	401.70	497.80	-1.1	3.13	506.73	454.82	363.06	409.36	503.06	513.18	372.58	377.35
Indonesia (27)	224.02	0.3	200.60	159.80	179.49	323.23	0.3	1.60	223.25	200.38	159.95	180.35	322.12	–	–	–
Ireland (16)	313.72	-0.7	280.93	223.79	251.37	266.25	-0.9	3.44	315.86	283.52	226.32	255.18	268.79	321.14	250.17	252.48
Italy (58)	79.88	-0.7	71.53	56.98	64.00	90.99	-1.1	2.28	80.44	72.20	57.63	64.98	92.03	84.53	69.68	69.83
Japan (480)	137.02	-0.8	122.69	97.74	109.78	97.74	-1.3	0.79	138.19	124.03	99.01	111.63	99.01	164.68	136.54	152.73
Malaysia (107)	592.46	-0.5	530.54	422.63	474.71	575.30	-0.6	1.08	595.59	534.58	426.72	481.15	578.82	607.85	475.66	475.86
Mexico (27)	1171.34	-2.1	1048.91	835.56	938.53	10112.23	-1.8	1.09	1196.86	1074.24	857.51	966.86	10298.52	1325.65	936.49	961.32
Netherland (18)	315.68	-0.8	282.69	225.19	252.94	249.10	-1.7	2.97	318.40	285.78	228.12	257.22	253.31	328.12	265.24	266.62
New Zealand (15)	91.52	0.2	81.96	65.29	73.33	69.82	0.7	3.95	91.35	81.99	65.45	73.80	69.35	94.40	75.94	78.01
Norway (35)	282.69	-1.2	253.14	201.65	226.51	247.12	-1.9	2.04	286.15	256.84	205.02	231.17	251.83	286.15	222.24	227.27
Philippines (22)	204.27	1.5	182.92	145.71	163.67	267.62	1.5	0.62	201.25	180.63	144.19	162.58	263.67	–	–	–
Singapore (43)	418.50	0.2	374.75	298.53	335.32	269.82	0.2	1.00	417.54	374.77	299.15	337.31	269.38	465.21	371.26	386.55
South Africa (44)	318.77	-0.3	285.45	227.39	255.42	325.48	-0.7	2.42	319.83	287.07	229.15	258.38	327.72	437.76	314.20	389.77
Spain (37)	200.71	-0.8	179.73	143.17	160.82	197.23	-1.5	3.04	202.22	181.51	144.90	163.37	200.22	202.22	158.03	158.97
Sweden (48)	409.22	-1.3	366.45	291.91	327.89	411.44	-1.8	2.07	414.55	372.07	297.00	334.86	419.15	416.87	294.19	305.03
Switzerland (37)	239.04	0.3	214.05	170.51	191.53	194.58	-0.6	1.52	238.41	213.98	170.81	192.60	196.08	254.34	218.29	228.52
Thailand (45)	109.20	0.3	97.79	77.90	87.50	108.30	0.3	3.17	108.93	97.68	77.98	87.92	108.01	193.95	107.33	164.66
United Kingdom (213)	265.08	-1.1	237.38	189.10	212.40	237.38	-1.3	4.00	267.92	240.47	191.95	216.44	240.47	273.83	222.43	225.02
USA (623)	301.58	-0.9	270.06	215.13	241.64	301.58	-0.9	1.99	304.36	273.18	218.07	245.88	304.36	307.82	243.34	262.26
Americas (794)	275.46	-0.9	246.67	196.49	220.71	231.73	-1.0	1.98	278.33	249.82	199.42	224.85	234.09	281.50	222.53	230.25
Europe (720)	229.01	-0.8	205.08	163.36	183.50	197.47	-1.4	2.93	230.84	207.19	165.39	186.48	200.18	234.56	194.31	195.29
Nordic (137)	351.36	-1.2	314.66	250.65	281.55	308.22	-1.8	2.02	355.61	319.09	254.71	287.20	313.81	355.61	261.13	278.00
Pacific Basin (875)	155.02	-0.8	138.82	110.56	124.21	111.83	-1.1	1.26	156.33	140.31	112.00	126.25	113.07	177.01	153.56	162.65
Euro-Pacific (1595)	185.74	-0.8	166.33	132.50	148.82	144.13	-1.2	2.12	187.26	168.08	134.17	151.28	145.92	191.51	175.04	176.56
North America (739)	294.58	-1.0	263.80	210.14	236.04	293.80	-1.0	1.99	297.60	267.12	213.22	240.42	296.74	301.15	237.95	256.28
Europe Ex. UK (507)	204.72	-0.6	183.33	146.04	164.03	172.91	-1.4	2.31	206.03	184.93	147.62	166.45	175.57	209.70	174.81	176.44
Pacific Ex. Japan (395)	310.73	-0.8	278.25	221.65	248.97	268.29	-0.5	2.78	313.26	281.17	224.44	253.07	269.57	317.82	257.21	255.94
World Ex. US (1810)	187.84	-0.9	168.03	133.85	150.35	149.33	-1.3	2.11	189.38	169.98	135.68	152.99	151.28	193.47	176.03	177.80
World Ex. UK (2220)	218.53	-0.9	196.59	156.60	175.90	185.52	-1.1	1.86	221.52	198.85	158.72	178.96	190.63	224.80	196.13	188.32
World Ex. Japan (1953)	268.90	-0.9	240.80	191.82	215.46	233.68	-1.0	2.36	271.43	243.62	194.47	219.27	236.46	274.86	224.52	227.78
The World Index (2433)	223.45	-0.9	200.10	159.40	179.04	199.05	-1.1	2.06	225.51	202.41	161.57	182.18	195.24	228.97	198.47	200.70



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RECRUITMENT

Continental European workers are more flexible than is often supposed, says **Robert Taylor**

The debunking of a caricature

There is a view widely held – certainly in the UK and the US – that unemployment in continental European countries is largely a function of overly regulated labour markets.

Enthusiasts of the UK's supposedly more deregulated model claim its flexibility has been much more successful in creating jobs than the more structured and legalistic employment practices of its European competitors. Such practices are seen as a severe obstacle to employment growth and an important reason why these countries suffer from much higher unemployment than the UK.

But is this an accurate portrayal? Papers prepared for a conference in Ottawa last week suggest the labour markets of some continental European countries such as the Netherlands, Sweden, Denmark and Finland enjoy a much larger degree of employment flexibility than is often supposed. The conference was staged by the Organisation for Economic Co-operation and Development and the Canadian government in order to discuss ways to change workplace strategies.

Surprisingly, Germany – often seen as one of Europe's least flexible labour markets – is in fact much more flexible than the popular image suggests. An impressive study carried out by the Institute for Employment Research in Nuremberg* has shown just how wide a use of flexible employees there is in Germany.

It found so-called "peripheral" staff (defined as those working on fixed-term contracts, staff on temporary contracts or sub-contract workers) accounted on average for 9 per cent of an enterprise's workforce – and that proportion appears to be increasing.

The study says that business policies and staff planning were found to take account of strategies to increase flexibility. It estimates 3.5m staff are working only a few hours a week.

The report also found a growing use of part-time employment across western Germany in as many as three-quarters of companies that employ more than 200 workers. It has become "a normal phenomenon rather than the atypical employment it used to be", says the report.

Companies were also found to be using a wide range of working-time patterns. As many as 53 per cent of German employees were working overtime, while just over a third staggered their working hours and 35 per cent work at weekends. It is far from the picture widely held in the UK and the US that German employees are fixated by a five-day, 35-hour working week.

The German study also found considerable flexibility in the way work is organised, with a wide use of new workplace strategies such as team-working, just-in-time production and delegation of decision-making to workers. These methods are evident in 57 per cent of companies employing between 50 and 499 workers and 81 per cent of larger companies. Even 21 per cent of small employers in the survey said they used such new methods.

Nor does the German evidence suggest companies are hindered – by either over-rigid law or cumbersome bureaucracy – from implementing redundancy plans, recruiting staff or reshaping existing work practices. Between 1982 and 1994 in western Germany, more than 16m additional jobs were created with 6.3 per cent of them in the production sector. Some 15.2m jobs were lost. Annual employment turnover is running at about 11 per cent and rising in spite of the recession.

Part-time employment in western Germany accounts for 28 per cent of all people in jobs last year. The number of German workers on flexible hours rose to 83 per cent in 1995 from 77 per cent in 1993. Such figures suggest the German regulated labour market is a good deal more flexible in practice than its Anglo-American critics realise.

Further evidence of the flexibility of mainland Europe can be gleaned from the recently published annual employment report by the European Commission. This found employers across the European Union (except in Portugal) were recruiting more part-time than full-time workers. The increase in part-time employment was particularly noticeable in the UK, France, Ireland and Finland.

The highest proportion of part-time workers is in the Netherlands, where over 9 per cent of prime working-age men are now employed part-time. The report also found the increase in the use of temporary employment had been "common to most member states".

A study published last week by the UK's National Institute of Economic and Social Research also suggests that recruitment strategies aimed at increasing the proportion of non-standard or atypical workers in the labour force are increasing across Europe.

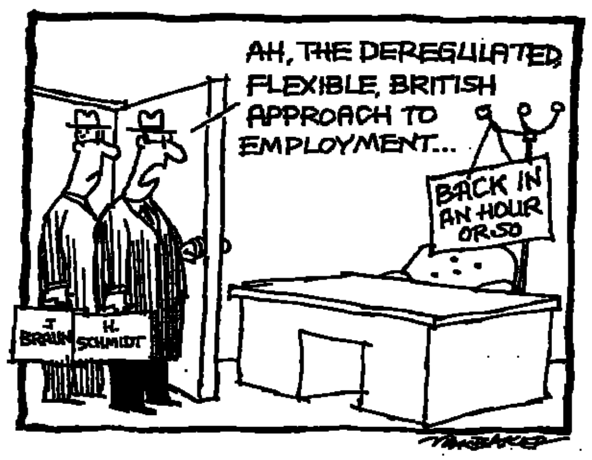
It found the share of part-time employment in the total employment growth rate rose by 0.4 per cent in the UK during the early 1990s, compared with 1 per cent in France, 0.7 per cent in Germany and 0.6 per cent in Italy.

At the same time temporary employment has risen sharply in recent years in Germany and France where it now accounts for over 10 per cent of all jobs compared with the much lower figure of 6.3 per cent in the UK.

As Mr Padraig Flynn, the EU's social affairs commissioner, recently pointed out, the overriding objective of all European countries is to create "a highly skilled, flexible workforce" for the next century and this involves "equipping and deploying correctly the productive potential of the whole workforce".

Crude point-scoring about which European country enjoys the most flexible approach to job recruitment should not divert attention from the similarity of employment trends. Countries may have varied public policy approaches to the labour market, but they share much more in common than most are willing to admit.

**Patterns of enterprise flexibility in Germany, from the Institute for Employment Research, Federal Employment Institute (Bundesanstalt für Arbeit) Regensburgerstr. 104, 90327 Nuremberg*



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The ideal candidate will be a highly-qualified macro-economist with a good degree from one of the top universities. He or she will probably be a mother-tongue English speaker, and may have worked as an economist within the securities industry. The ability to relate original macro-economic research to the performance of the financial markets and the process of asset allocation will be essential. A first-hand knowledge of Central & Eastern Europe would be a significant advantage, but candidates who have gained their experience on the developed markets of Western Europe and are now seeking the challenge of covering Europe's fast-growing emerging markets will also be considered.

The successful candidate will be a highly articulate individual, who combines originality of thought with clear and decisive forecasting. Candidates are likely to be successful if they can demonstrate impressive intellectual abilities, an outgoing personality, being able to thrive in a deal-orientated and fast-moving environment.

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The ideal candidate will be a graduate in his or her mid-twenties, with a financial or accounting qualification. He or she will be a mother-tongue English speaker, and will either have gained experience of the Central & Eastern European region through first-hand contact, or will have worked in the equity research field and be capable of adjusting quickly to a new market environment. The ability to think clearly and present ideas in a logical and structured fashion will be essential.

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The ideal candidate will be highly numerate and capable of using advanced modelling techniques to evaluate specific instruments. The individual will eventually manage a small team which will cover the local currency T-bill markets of Eastern Europe and provide corporate Eurobond research. AAHG expects to be a market leader in new issues of emerging Europe, and the analyst will need to work closely with fixed income origination as well as ratings advisory when applicable.

The successful candidate will be an experienced bond market analyst. Such experience may have been gained on the developed markets, but candidates must be able to show their ability to transfer existing skills and knowledge to the European emerging markets. Candidates will have substantial experience of report writing and marketing to institutional investors. This is a senior position and pivotal role in a fast-growing division of the group's business.

For all three of the above positions, candidates should be prepared to re-locate to the Netherlands. A good deal of international travel in the Central and Eastern European region is envisaged. The remuneration package will be competitive, and full re-location benefits will be offered where applicable.

Please contact Nick Hudson in the strictest confidence.

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Please send current resume and application letter to Human Resources Department, MasterCard International. Tour Maine Montparnasse, 33, avenue du Maine, 75015 Paris or fax to 33-1 45 38 40 19.

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If you meet this description please send full personal and career details, including current remuneration, in confidence, to Tim Latham, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, stating any companies to which your details should not be forwarded, and quoting reference TL1229 on both envelope and letter.

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If you believe that you have the mix of skills and experience demanded by our client and would like to join a fast-growing credit team, please write to Brian Withers at Withers Wood Brigdale Limited, Kent House, Market Place, London W1N 7AJ with full cv and salary details, quoting reference 1111. Please indicate any organisations to which you would not like your details sent.

Our client will make direct contact with candidates whose cv's are forwarded to it.

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EUROPEAN MONETARY INSTITUTE

Vacancies in the Monetary, Economics and Statistics Department

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Union, and to prepare for the establishment of the future European Central Bank (ECB). The EMI currently employs approximately 220 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits. The EMI is looking for candidates to fill a number of vacancies as soon as possible in the Monetary, Economics and Statistics Department. Positions will be on a fixed-term contract basis and candidates must be a national of a Member State of the European Union.

Positions and Qualifications

Economists in the Stage Two Division

The core function of the Division is to provide economic analyses promoting the EMI's objective of strengthening co-operation among national central banks and the co-ordination of monetary policies with the aim of ensuring and maintaining price stability, as well as monitoring convergence under the Maastricht Treaty. Successful candidates will contribute to the research, analysis, monitoring and reporting tasks of the Division.

Applicants should be experienced analysts of macroeconomic developments and should also be familiar with issues related to the examination of convergence. Skills in one or more of the following areas would be desirable: monetary policy, fiscal policy, analysis of price developments, bond markets, foreign exchange markets, analysis of real-economy developments, labour markets, banking/financial structure. Experience in analysing economic developments from a country perspective would be an asset.

Qualifications
- Advanced degree in economics with a sound academic, research and publication record in applied economics, as well as extensive experience in policy analysis.
- Command of English, and ability to present research findings and address policy issues in non-technical terms. Working knowledge of other European Union languages is desirable.

Ref. MES/02-03/97

Economists in the Stage Three Division

The core function of the Division is to do the background research and the preparatory work necessary to define the concepts, framework and rules for the Single Monetary Policy in Stage Three of EMU. Candidates should have expertise corresponding to at least one of the following three areas:
- Econometric techniques as applied to monetary policy and macroeconomics along with an understanding of the EMU process and the associated institutional changes to financial and other markets.
- Econometric techniques particularly as applied to money market behaviour in EU countries combined with practical experience in the day-to-day use of monetary policy instruments and procedures.
- International monetary relations including the relations of EU countries with emerging or developing economies as well as a knowledge of the functioning of international economic and monetary institutions.

Qualifications
- Advanced degree in economics with a sound academic, research and publication record in applied economics, as well as extensive experience in policy analysis.
- Command of English and an ability to present research findings and address policy issues in non-technical terms. Working knowledge of other European Union languages is desirable.
- Familiarity with modern office equipment.

Ref. MES/04-06/97

Economist-Statisticians in the Statistics Division

Successful candidates will help to prepare for the establishment of the ECB in the areas of money and banking and monetary statistics, balance of payments statistics, other statistics of interest to the EMI, and statistical infrastructure.

Qualifications
- University degree in economics, statistics or a related discipline.
- Work experience in at least one of the following fields of statistics: money, banking, balance of payments, financial accounts, public finance, costs and prices.
- Experience with PC-LAN based systems, preferably with the FAME time-series management system, with Windows and PC-based Windows applications, including spreadsheet (Excel), database (MS Access), graphic and econometric packages.
- Command of English. Working knowledge of other European Union languages is desirable.

Ref. MES/08/97

Statistical Analyst-Programmer in the Statistics Division

The successful candidate will be in charge of the maintenance and enhancement of the regular statistical applications of the Division, as well as the development of new applications and the provision of a help service to EMI users.

Qualifications
- University degree in economics, statistics or a related discipline, or alternatively, equivalent experience.
- Work experience in at least one of the following fields of statistics: money, banking, balance of payments, financial accounts, public finance, costs and prices.
- Experience in developing and managing both multi-dimensional and time-series statistical databases.
- Command of English. Working knowledge of other European Union languages is desirable.

Ref. MES/07/97

Research Analysts in the Economics Divisions

The main tasks to be performed are: creating, updating and checking databases of monetary and economic time-series data; producing tables and charts from statistical data; participation in the development and maintenance of software applications; and providing statistical support to the economists in their research projects. Candidates should also ideally be capable of assisting with the preparation of macroeconomic model simulations and familiar with techniques of econometric estimation. The environment includes spreadsheet (Excel), database (FAME and Access), graphic and econometric packages (notably RATS), and the NIGEM world macroeconomic model.

Qualifications
- Practical experience in several of the above-mentioned tasks. On the computer side, a knowledge of Windows and experience with the relevant Windows-based applications set out above is vital: programming skills will also be desirable for the positions. Familiarity with money and banking, balance of payments and national accounts statistics as well as with international data banks is also a prerequisite.
- Command of English. Working knowledge of other European Union languages is desirable.
- University degree in economics, statistics or related disciplines, or alternatively, equivalent experience.

Ref. MES/01/97

Applications should include a Curriculum Vitae and a recent photograph, references confirming the required experience and skills and, if possible, copies of (published or unpublished) papers or notes prepared by candidates. They should quote the appropriate reference number and should be addressed to the **European Monetary Institute, Personnel and Office Services Division, Postfach 10 20 31, D-60020 Frankfurt/Main** and should reach us no later than 31st December 1996. Applications will be treated in the strictest confidence and will not be returned.

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TECHNOLOGY

A hardware device may offer a solution to software virus problems, says **James Buxton**

On guard to lift the siege on PCs

The facts about the invasion of personal computers by computer viruses – rogue programs that can disable it or destroy data – become ever more disturbing. A UK survey shows that in a sample the proportion of computer systems that had been affected by viruses had risen from six to 14 per cent between January and September this year.

In the US it was estimated earlier this year that the cost of disruption to businesses by viruses would rise in 1996 from $1bn (£600m) to between $2bn and $3bn. The risk of a PC being infected rises as more computer users join the internet and download software or exchange e-mail with data attachments.

Companies can try to protect against viruses by forbidding the loading of unauthorised software and games on to computers. But this kind of interdict can be easily evaded, deliberately or otherwise.

A better form of defence is to employ virus scanners. These are software programs that look for characteristic strings of characters from known viruses, of which there are thought to be about 8,000 in existence worldwide. But the scanning software is only as good as the viruses for which it has been programmed or updated and new viruses are emerging all the time. One estimate is that new viruses appear at the rate of 100 a month.

Now Calluna, a quoted disc drive company based in Scotland, has developed a hardware product which it believes offers computers complete protection against viruses. It consists of a microprocessor on a small circuit board which is placed between the PC's hard disc drive and its system board, and which functions independently of the PC's own central processor unit as a second CPU. The microprocessor can be programmed to monitor all traffic being routed to the PC's hard disc drive. If it detects virus-like activity or any other illegal activity it alerts the user and allows the option of blocking access to the hard disc drive.

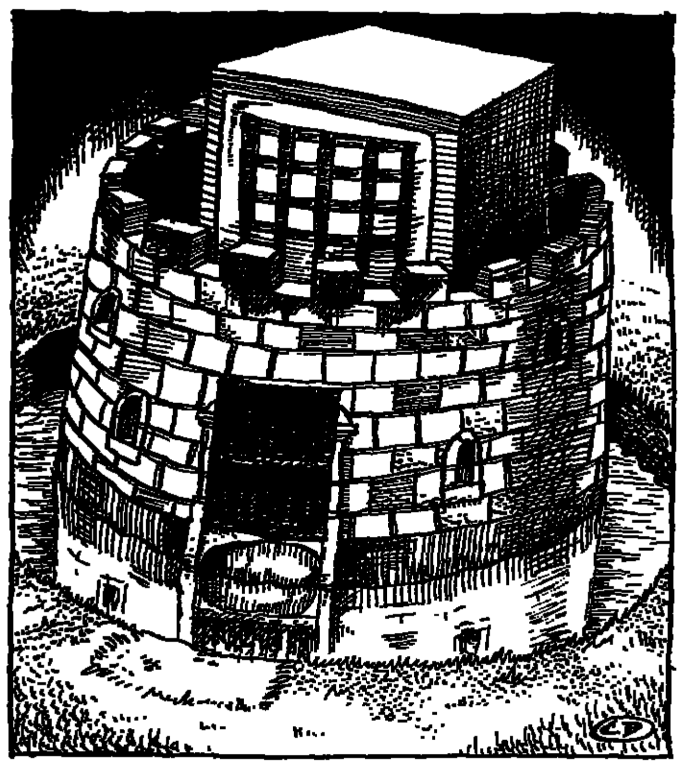
The second CPU could also be allocated partitioned sections of the computer's hard drive to store all material downloaded from the internet, for example. This might be thought to risk infecting the protected material on the hard disc, but Norman White, managing director of Calluna and one of the inventors of the virus isolator, insists that partitions keep the data in the two areas separate.

"Because this virus isolator uses a second processor independent of the PC no virus can corrupt its operation or circumvent the protection it offers," he says. "It is logically impossible for it to speak to the PC's own CPU." He says the product is "almost like using a separate PC to handle Internet material. That is a method some companies already employ."

Calluna's device could also be used as a firewall to prevent unauthorised access to the PC's hard drive. This would make it a weapon against computer hackers who pose at least as great a disruptive threat to computer users as viruses, and who may themselves plant viruses.

Although many computer systems already have a software firewall to protect against hackers, a software firewall must be constantly updated as hackers develop new methods of attack. But a hardware firewall or virus isolator, Calluna says, provides protection against all hostile software, present and future.

Calluna has reached the stage of demonstrating prototypes of its device and intends to test the market in the first quarter of next year in the UK, Europe and the US. The device would be sold initially as a plug-in card for a desktop PC, but could later be embedded in the hard disc electronics or on the system board of a PC or in the CPU.



MANAGEMENT

A new breed of detective is fighting industrial espionage, discovers **Tim Burt**

Hard case to crack

The escalation this week of the bitter dispute between Volkswagen and General Motors over the alleged theft of industry secrets has again focused management attention on the risks of industrial espionage.

The controversy has already resulted in the resignation of José Ignacio López, VW's purchasing chief, and could cost the German carmaker more than $1bn (£607m) in damages.

GM has made clear – despite the latest protestations of innocence from VW chairman Ferdinand Piëch – that it wants more than the head of López. It is also seeking those of seven other former GM employees who joined his 1993 exodus to VW, and an abject apology.

The price has been high for both sides. Each has run up legal and advisory bills running into several million dollars. GM maintains it has lost vital information in areas such as component pricing, new car designs and marketing. VW has suffered a blow to its prestige, and could see any damages assessed in the US courts trebled under that country's Racketeer Influenced and Corrupt Organisations Act.

According to leading UK lawyers and corporate investigators, the case demonstrates how hard companies will now fight to protect information which they believe gives them a competitive edge.

Such intellectual property, they claim, can make the difference between taking market leadership and being an also-ran – ultimately the difference between profit and loss.

The determination to safeguard sensitive information has spawned a new breed of private investigators turned "corporate risk consultants". They no longer simply tail suspects or carry out all-night surveillance, but conduct security audits, recommend changes to management culture and influence the due diligence process.

Bill Waite, head of the corporate investigations unit at Kroll Associates – one of the world's largest investigation agencies – says the increasing range of services reflects the growing sophistication of white collar crime.

"We are seeing a much wider spread of cases and companies are being much more aggressive in pursuing them," says Waite, a barrister formerly seconded to Britain's Serious Fraud Office.

While the GM-VW dispute has illustrated the risks associated with headhunting top executives, investigators maintain the most common cause of industrial espionage is employee discontent.

Waite claims workers who find themselves victims of rationalisation or feel passed-over in pay reviews often turn to revenge. In evidence, he cites the on-going case of Roy Tazzyman, who was ousted last year as chief executive of Davy International, the UK metals processing.

According to writs served by Kvaerner, Davy's parent, Tazzyman allegedly removed more than 2,000 confidential documents and handed them to VAI, its Austrian engineering rival.

Tazzyman, who was subsequently hired by VAI, has denied the charges.

In another recent case, a disaffected computer technician at Reuters in Hong Kong last month embarrassed the information provider by sabotaging the dealing room systems of five of the company's investment bank clients.

Other common types of espionage are said to involve disgruntled managers who are excluded from management buy-outs and subsequently sell confidential information to competitors.

In the past 18 months, Kroll has also investigated 10 cases where owner-managers who sold their businesses were tempted to seek further gains by re-selling client lists and pricing details – despite signing non-competition clauses with the company that bought them out.

Similar misdemeanours have been uncovered by Control Risks Group, one of Kroll's main competitors.

Tony McStravick, a senior consultant at Control Risks, says potentially maleable executives are now being targeted by a new breed of middlemen – the so-called information brokers.

Such brokers make a living by obtaining secret information from company executives and then selling it on to the highest bidder. McStravick, a former acting commander of the Fraud Squad, says the practice is particularly prevalent in the oil industry.

"I was involved in a case where an information broker was arrested after paying £7,000 for information from an employee of one large oil company. He got four years," he recalls.

Norwegian police earlier this year claimed to have uncovered another case when two Britons were detained on suspicion of corruption involving Statoil, Norway's state-owned oil company. The kickbacks were said to have exceeded $115,000.

Investigation agencies clearly have an interest in persuading companies that such espionage is endemic, and needs preventative medicine. By doing so, they can earn large fees for anti-espionage services.

But although several large groups are said to routinely "sweep" their offices for bugs, most UK companies still appear to call in the investigators only after the event.

In such cases, the problem for the sleuths is not proving what has happened but trying to assess the cost of the lost information. That process has helped give birth to "forensic accounting", where auditors are brought in to assess the damages.

Andrew Mainz, a partner in Coopers & Lybrand's forensic accounting practice, says: "We try to work out what the expected sales of a product might have been without the information leaking, and compare it to the actual turnover. Then you must try and assess the impact on selling prices and profitability."

Trying to combat industrial espionage remains an inexact science. But accountants and corporate investigators claim more companies are waking up to the dangers caused by rogue employees or competitors, and are willing to pay to avoid it.

"Companies now realise they should be protecting valuable assets," says Waite at Kroll Associates. "If they don't, they risk losing them."

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ARTS

In the shadow of Taglioni

Clement Crisp finds one of the great ballerina's roles reconstructed in Nancy

Marie Taglioni was the first and greatest of the ballerinas of the Romantic era. During the 1830s and '40s, when a ballet-fever swept Europe and the Americas, taking such stars as Elssler and Grisi from triumphs in Paris and London to Petersburg and La Havana, Taglioni – *Marie, pleine de grace* – was Romantic ballet's undenied glory. Her image – sweetly poised on a flower, drifting in white tarlatans as the sylph, an infinite delicacy of style disguising infinitely strong technique – was perpetuated in lithographs and in ballets concocted by her choreographer-father, Filippo. ("The daughter coming to the rescue of the father" being a not unusual comment on Taglioni père's creations.) It was he who made *La Sylphide* which identified for all time the gifts of his daughter, and these are gifts that ballerinas today still seek to emulate and evoke. Wherever gauzy skirts and a gently floating manner captivate an audience, there Taglioni casts her shadow.

She cast her shadow in St. Petersburg in 1839, when her father staged *L'Ombre*, an elaborate new spectacle for her. The narrative told of Angelica, poisoned with a bouquet on her wedding day by the jealous Duchess Eudoxie who has fallen for the charms of Loredan, the prospective groom. How Angelica's shade haunts the rest of the action, brings about the death of Eudoxie by the same bouquet, and amid the ruins of a castle leads Loredan away to bliss, is standard Romantic fiddle (and presages *La Bayadère* of 1877). What delighted the Petersburg audiences and those who saw Taglioni's triumph in other cities, was what one observer called "her spiritual ubiquity" as she wafted through the action, floated over a river, settled lightly upon an unbending flower.

The ballet was, inevitably, lost as Romanticism faded. Yet, like other works of the time, it has fascinated the French choreographer and scholar, Pierre Lacotte. His dance-training with certain eminent and long-memoried ballerine fired his interest in what survived or might be reconstructed from this earlier golden age (and despite the impermanence of choreography, steps, style and even variations can persist through classroom and stage-craft).

Over the past 20 years, Lacotte has sought to revive some of these old ballets, calling them – or their semblance – into new theatrical life through extensive research and a sensibility towards the lost style of their dances and interpreters. *La Sylphide, Le Lac des Fées, Marco Spada*, and several others, have been mounted. The stagings do not claim more authenticity than that given by Lacotte's studies and his acute feelings for the period, but at their best they charm us, and open windows on a lost age.

Wherever gauzy skirts and a floating manner captivate an audience, there Taglioni casts her shadow

His most recent essay has been the Taglioni *L'Ombre*, which I saw at the weekend in Nancy's enchanting Opera House, in a production for the Ballet National de Nancy et de Lorraine which he directs. Lacotte's designs capture the procedures of Romantic stagings – a columned palace, a pretty river-scene – and the score by Maurer has been edited and re-orchestrated. (It is for the most part eminently forgettable, though David Garforth guided the Nancy Symphony orchestra through it with a loving sense of its possibilities). The first scene, which has the thankless task of dramatic exposition, is dull enough as poison and deceptions are administered. But with the vision sequence in which Loredan is united with Angelica's shade (a touching exercise in Romantic mist and mystery not unworthy of *La Sylphide* or *Giselle*) we know something of what Taglioni's audiences knew about the marvels of ethereal grace offered by that "creation of the air", as one critic named her. And here we come to the real point of the event: the presence of Monique Loudières in Taglioni's shoes.

Greatly loved as an *étoile* of the Paris Opera, Loudières has both the delicacy of technique and manner, and the dazzling speed and lightness, that can make Angelica (and Lacotte's fascination with Taglioni) entirely real. She weighs nothing, and she floats. She turns steps into bright-cut jewels. Her humming-bird speed in little things is matched by an easy, delicate charm that wins our hearts as it wins the role. It is a delicious interpretation, and one surely worthy of Taglioni. She is fortunate in her partner, the former Bolshoi danseur, Andrey Fedotov. Fedotov has the dignity and the technical clarity that the role needs. (I recall him as an ardent James to Semenyaka's sublime sylphide.) Here he makes much of a role which calls for swoons and confusion – those habitual occupations of the Romantic hero – but which also allows him to display a noble style.

The Nancy company offers devoted, well-schooled support, albeit now – as then – *L'Ombre* is really about its star. The evening is, ultimately, curious, yet at its best, curiously convincing. And Taglioni's graceful, enchanting shade is with us still.

Monique Loudières: a delicious interpretation of Angelica in Lacotte's revival of 'L'Ombre'

The Drones club meets the mechanicals: scene from Jonathan Miller's new production

Alastair Muir

Theatre/Alastair Macaulay

The 'Dream' unmagicked

Only a director as clever, inventive, and witty as Jonathan Miller could think up a history-game production like the Almeida Theatre's new *A Midsummer Night's Dream*. And only a fool could find it serious, revealing, or funny. It becomes here an unmagicked 1930s comedy involving people who belong in novels by P.G. Wodehouse. Helena quits the stage at the end of one episode crying "Taxi! Taxi"; Puck puts on cloth cap, woollen scarf, and overcoat to say "I'll put a girdle round about the earth in 40 minutes"; and the ageing Titania has a recording of "Smoke gets in your eyes" played for Bottom.

True, on opening night, some parts of the audience laughed. But almost solely, it seemed, at the fact that these spoilt characters onstage from the peripheries of the Drones Club – when not hailing taxis or exclaiming "Of course!" – keep spouting these *bally* lines by Shakespeare. When Hermia asks Duke Theseus "But I beseech your Grace, that I may know/ The worst that may befall me in this case,/ If I refuse to wed Demetrius", she is as artificial as one of those girls who Bertie Wooster finds himself engaged to by mistake. The joke – oh dear – is that she and other characters, being drawling stiff-upper-lip folk, sound insincere in all they say.

I laughed once. Po-faced Toby Jones, as Flute playing Thisbe, is so earnest, so absorbed, so committed, in slowly driving the sword into his/her breast, then slowly pushing it a little further, then digging it in that slow bit more, that I guffawed in true delight. Soon after that, another marvellous and quite different moment occurs, as the rude mechanicals depart. Silence falls. The privileged nobles all sit there, blank, with nothing to do. And we feel the gap that these inefficient and hard-working rustics have left behind them. Fine. But to get to these fine moments, you have to sit through the previous 95 per cent of this staging. The set, by the Quay Brothers, makes matters worse. A partition of glass windows and doors stretch across the stage, leaving a claustrophobically small area at the front for most of the action.

Miller cuts reams of poetry clean out of the play – notably Titania's "Come, now a roundel" and the fairy lullaby that follows – and yet these omissions make the play feel longer. What poetry he leaves is usually nullified by the 1930s drawling, and the exaggeratedly meagre Englishness of tone, with which it is uttered. Angela Thorne, as Titania, comes nearest to making the 1930s style both amusing and serious. I never thought I would hear Oberon, let alone an experienced Shakespearian such as Norman Rodway, pause to cough and splutter between "I know a bank" and "where the wild thyme blows".

Sylvestra Le Touzel, as Hermia, is the most proficient at catching the smart and brittle gutlessness that Miller presumably wants. It is very irritating. The same goes, to a lesser degree, for Angus Wright (*very* Drones Club) as a gangly Lysander and Jonathan Coy as a silly-duffer Demetrius. Doon Mackichan's toffee-nosed Helena is an infuriatingly, indeed stupidly, trivial buffoon.

Does Miller, in setting this play in the 1930s, want to convey the sense of a world in crisis, the end of a privileged old order, and the loyal subservience of a working class? Probably; and much more besides. But none of these things strike us as we watch. As in so many of his productions, he applies the busy top layer of his history-game so thickly over the play that we can neither get through to the clever points he may have in mind or, more interestingly, to the beautiful drama that Shakespeare wrote. Ironically, Miller's distracting concentration on historical surface makes him seem one of the most decadent directors around.

Almeida Theatre, N1, until February 1.

Kind master of mockery

Martin Hoyle pays tribute to Willie Rushton

Just as the summers of one's youth were always golden and the Christmases obligingly Dickensian in their whiteness, so satirical revue was at its most blissfully funny. Or so it seems. I remember in the early 1960s the official Oxford contingent to the Edinburgh Fringe being alarmed by a group of interlopers who called themselves The Oxford Players.

They hired a more salubrious venue than we could afford, with up-to-date lighting and amplification. Their company seemed rather older than ours, the links with Oxford as much historical or social as current, and appeared to include some smart young businessmen. They had connections with the buoyant and iconoclastic *Private Eye*. Ash-blonde glamour was provided by the stunningly beautiful Candida Betjeman; and (apart from the odd cameo from Albert Finney, popping in for post-performance send-ups of John Osborne's *Luther*) the comics included Ian Davidson (subsequently a successful TV producer), Richard Ingrams and William Rushton.

The formally billed William – Willie came later – was as yet best known as a cartoonist, indeed oddly resembling some of his drawings. John Wells has recounted how, as a stranger, he identified Rushton in the street because the stout, boyish-faced innocence immediately evoked a Rushton cartoon. The outlines may be bulky but the pointy feet and fingers add a curious daintiness, a token of Rushton's fastidiousness as a humourist. The shape may recall a barrage balloon but, like a balloon, there is the suggestion of weightlessness; these figures, for all their prosaic, earth-bound qualities, could take off and float through the air at the drop of a bowler.

Like his drawings, Rushton's comedy was rooted in the recognisable though capable of taking flight into the surreal. His stage debut was in Spike Milligan's hijacking of John Antrobus' *Bed Sitting-Room*, a baptism of surreal fire if there ever was one; but he was spotted doing a Macmillan impersonation by Ned Sherrin, on the look-out for unknown talent for a television satire show; and found himself in a pilot for *That Was the Week, That Was*. The rest is history.

In retrospect the humour of those Mac-mocking days seems unconscionably benign; today's comedians are personally vindictive to a degree, but then perhaps they have more cause. Rushton was never as unkind as even some of his contemporaries – notably the schoolfriend, Richard Ingrams, a day younger than himself, with whom he co-founded *Private Eye*.

In recent years Rushton had become a much-loved figure on radio. Significantly, Wednesday's radio news of his death tried to give some flavour of his humour, a mixture of polite propriety and comic madness, geniality and dead-pan normality. You can imagine his comic persona primly hushing a crowded art-gallery before quickly pencilling a moustache on the Mona Lisa. It would be a very convincing moustache, too.

The sound clips from *I'm Sorry, I Haven't a Clue* certainly gave little clue, out of context, to that erudite mockery based, one suspects, on principles of gravitas and kindliness undreamt of by today's stand-up comics.

In 1985 he was diagnosed as a diabetic. Having to cut down on drink was an almost Gilbertian irony for a long-time judge of the Evening Standard's London Pub of the Year award; just as a sudden and shockingly early death at 59 shortly before Christmas is a further irony. Of all the Oxford Players that summer in Edinburgh Willie Rushton made the likeliest Father Christmas.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-6718345

● Blue's blue – Kantrimiusik: by Kagel. Conducted by Ed Spanjaard; performed by the Nieuw Ensemble. Soloists include soprano Angela Tunstall, mezzo-soprano Susan Bickley and baritone Romain Bischoff; 3pm; Dec 14

● Enrico Pace: the pianist performs works by Schumann, Brahms, Liszt and Mozart/Liszt; 8.15pm; Dec 15

■ BERLIN

CONCERT

Konzerthaus Tel: 49-30-203090

● Berlin Sinfonietta: with conductor Michail Sekler, viola-player Ferenc Gábor and bassoonists Frank Forst and Alexander Haase perform works by Manfredini, Vivaldi, Albrechtsberger, Vanhal and J.S. Bach; 11am; Dec 15

Philharmonie & Kammermusiksaal Tel: 49-30-2614383

● Cecilia Bartoli: recital by the mezzo-soprano, accompanied by pianist Jean-Yves Thibaudet. The programme includes works by Bellini, Bizet, Rossini and Viardot; 8pm; Dec 15

■ CAPE TOWN

EXHIBITION

South African National Gallery Tel: 27-21-451628

● Contemporary South African Art 1985-1995: this exhibition showcases contemporary South African art produced during the last decade and acquired by the South African National Gallery between 1985 and 1995. More than 700 paintings, sculptures, works on paper and ceramic pieces are included; from Dec 14 to Mar 30

■ COPENHAGEN

DANCE

Det Kongelige Teater Tel: 45-33 69 69 69

● Hamlet: a choreography by Peter Schaufuss to music by Sort Sol and Langgaard, performed by the Royal Danish Ballet and the Royal Theatre Orchestra; 8pm; Dec 14, 16

■ FLORENCE

OPERA

Teatro Comunale Tel: 39-55-211158

● Die Zauberflöte: by Mozart. Conducted by Simone Young, performed by the Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include Julian Rodescu, Deon van der Walt, Susanne Elmark and Alessandro Corbelli; 3.30pm; Dec 15

■ HAMBURG

OPERA

Hamburgische Staatsoper Tel: 49-40-351721

● Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek, performed by the Hamburg Staatsoper. Soloists include Blanck, Isokoski, Weller and Stricker; 3.30pm; Dec 16 (7pm)

■ LONDON

AUCTION

Bonhams Tel: 44-171-3933900

● Early Chinese Works of Art & The China Trade: highlights of the sale include a 17th-century Rhino Horn Liberation cup, an 18th-century blue and white Moon Flask decorated with pomegranates, and a collection of nine pieces of 18th-century armorial porcelain; 1pm; Dec 16

CONCERT

Barbican Hall Tel: 44-171-6384141

● London Concert Orchestra: with conductor Ian Watson, tenor Bonaventura Bottone, trumpeter Crispian Steele-Perkins, the London Philharmonic Choir and the Southend Boys Choir perform works by J.S. Bach, Handel, Gounod, Franck, Clarke, Stanley, Berlioz and Adams; 3pm; Dec 15

Wigmore Hall Tel: 44-171-9352141

● Anthony Rolfe Johnson: recital by the tenor, accompanied by pianist Catherine Edwards. The programme includes works by Beethoven, Schubert and Mozart; 5pm; Dec 14

■ MADRID

EXHIBITION

Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062

● Jannis Kounellis: this exhibition presents an anthology of the Greek contemporary artist Jannis Kounellis. Comprised of 50 works of art, the exhibition mainly presents sculptures and installations grouped in accordance with pictorial themes; to Feb 18

OPERA

Teatro de la Zarzuela Tel: 34-1-5245400

● Capriccio: by R. Strauss. Conducted by Antoni Ros Marba, performed by the Scottish Opera. Soloists include Pamela Coburn, and David Pittman-Jennings; 8pm; Dec 15, 17

■ MONTE CARLO

AUCTION

Sotheby's Monaco Tel: 33-93 25 19 33

● Fine French Furniture: highlights of the sale include a Louis XV Ormolu-mounted Chinese céladon porcelain Pot-pourri, a Louis XVI clock representing a Minerva's bust, and furniture from the Baron Coppée's collection; 4pm; Dec 14

■ NEW YORK

CONCERT

Alice Tully Hall Tel: 1-212-875-5050

● Concert Royal: with conductor James Richman and soprano Julianne Baird perform Christmas music; 8pm; Dec 16

Avery Fisher Hall Tel: 1-212-875-5030

● Messiah: by Handel. Conducted by Martin Josman, performed by the National Chorale; 8pm; Dec 14

EXHIBITION

Brooklyn Museum Tel: 1-718-638-5000

● In the Light of Italy: Corot and Early Open-Air Painting: this exhibition of 130 paintings examines the founding and development of the new landscape tradition of painting on-site, as practiced by members of the international community of artists in and around Rome from the time of Valenciennes and Thomas Jones in the 1780s to Corot and Blechen in the 1820s and 1830s; to Jan 12

■ PARIS

EXHIBITION

Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50

● Jesús Rafael Soto: retrospective exhibition devoted to the work of the Venezuelan contemporary artist Jesús Rafael Soto. The main focus of the exhibition is on his work in de mid-1950s. Included are his series of paintings on Plexiglass, "classical" paintings such as "Vibrations" and "Carrés virtuels", and a selection of recent works including "Ambivalences" and "Volumes virtuels"; from Dec 17 to Feb 16

OPERA

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

● Faust: by Gounod. Conducted by Yves Abel, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Daniel Galvez-Vallejo and Cristina Gallardo-Domas; 7.30pm; Dec 14

■ ROME

CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064

● Orchestra dell'Academia di Santa Cecilia: with conductor Kurt Sanderling and cellist Michael Sanderling perform works by Shostakovich and Tchaikovsky; 7pm; Dec 14, 15 (5.30pm), 16 (9pm), 17 (7.30pm)

■ VIENNA

OPERA

Wiener Kammeroper Tel: 43-1-5120100

● Dona Francisquita: by Vives. Conducted by Lluis Vila I Casanas, performed by the Wiener Kammeroper (in German). Soloists include Monica Theiss, Lorena Espina, Sulie Girardi, Lubica Gracova, Cesar Gutierrez and Hector Sandoval; 7.30pm; Dec 16

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10.00
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Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Philip Stephens

Major moribund

Clinching confirmation of the Tories' death wish came in the parliamentary debate on a single currency

Tony Blair should take a holiday. Britain's Conservatives have pushed the self-destruct button and it is hard to see what the Labour leader has to gain by intruding on John Major's all-too-public grief. As long as the government's woes fill the front pages, the tide for change runs stronger by the day. And I am told the Caribbean is awfully pleasant at this time of year.

I am only half-joking. The resignation this week of David Willetts as paymaster general was a minor tremor on the Tory Richter scale. In spite – or perhaps because – of the "two brains" soubriquet, Mr Willetts tried and failed to outwit the House of Commons committee charged with cleaning up parliament's act.

To borrow a phrase, he was too clever by half. He was then left with little choice but to jump before he was pushed. No doubt Mr Willetts will be back before too long, although one begins to wonder whether there is any place in British politics for intellectuals.

This investigation was simply a trailer for the main event. The same committee will now move on to probe the activities of several Tory MPs implicated in the so-called cash-for-questions affair. It promises to be a messy business. You do not have to have to grasp the complex detail of the affair to sense the foreboding.

Senior Conservatives are appalled by the prospect of some pretty soiled laundry being washed in public. They expect one of those accused will eventually be expelled from parliament.

Their only hope is that what Mr Willetts unwisely referred to as a "good Tory majority" on the committee will prolong the investigation beyond the election. To the same end, another date has been ringed in Mr Major's diary. He may have more to gain than to lose by going to the country on March 20.

The clinching confirmation of the Tories' death wish, however, came in the parliamentary debate on a single currency ahead of today's European Union summit in Dublin. Last weekend Mr Major mapped out a route through the European minefield. His tone was too sceptical for my taste, but he offered his party a series of sensible compromises. The Europhobes threw them back in his face.

Kenneth Clarke is used to jeers and catcalls from his own side. He can take it. But the barrage of abuse which greeted the chancellor's exposition of the pros and cons of a single currency was unprecedented. Gordon Brown, his Labour shadow, spoke the truth when he said Mr Clarke has more supporters on the opposition benches at Westminster than on his own.

Mr Major once thought the Dublin summit would provide an escape route. He would hold aloft the draft treaty on institutional reform and reject its principal ambitions one by one. Then he would challenge Mr Blair to do the same. New dividing lines over Europe would be drawn between the parties.

A shrewd Irish presidency has spiked his guns. It does not want to see the prime minister isolated. More to the point, it has no interest in driving Mr Blair into a similarly uncompromising stance. Britain's European partners expect to see his name on the treaty they want to sign in Amsterdam next June. So the most contentious issues – qualified majority voting and flexible co-operation – have been put to one side until then.

> The dilemma is how much energy Mr Blair should devote to fleshing out policies now and how much to planning their implementation in government

The remaining source of potential conflict with other governments concerns border and immigration controls. But here Messrs Major and Blair are in full agreement. Geography and tradition demand that Westminster retains full control of the nation's borders. The Tory sceptics do not care. They have a single ambition: to destroy Mr Major's wait-and-see policy on a single currency. They are happy to pay the price of defeat at the election.

You can see why there are voices whispering in Mr Blair's ear to play it safe. He is performing brilliantly in the House of Commons, at every turn twisting the knife in Tory wounds. And if there were any residual doubts that Mr Major had lost his parliamentary majority, they will be dispelled by Labour's victory in the Barnsley by-election.

European governments are not alone in assuming Mr Blair is destined for power. This week the prospect even injected some sanity into official preparations for the millennium. With luck, Labour's refusal to write a blank cheque will soon scupper the absurd plan to mark the occasion by spending £1bn on a tent by the Thames.

Mr Blair, though, has to make another calculation. He will signal again next week that education is at the heart of his prospectus for government. But the three issues that will rush headlong at an incoming Labour government are tax and spending, Europe, and devolution.

The dilemma is how much energy he should devote to fleshing out these policies now and how much to planning their implementation in government. It is a delicate balance. Issues which can be confronted in government are often untouchable in opposition. Thus he knows that if Scotland is given a parliament, it will have to strike a new constitutional bargain with England. That bargain should be drafted before the election, but Mr Blair would be wise to keep it to himself until afterwards.

Similarly with Europe. After an initial look at the drafts prepared for Dublin, Robin Cook, the shadow foreign secretary, believes that, internal frontiers aside, Labour could probably cut a deal on a new treaty. There is little to be gained, though, from spelling out the details now.

Tax and spending are different. January will see the start of a £10m Conservative advertising onslaught, most of it directed at Labour as the party of confiscatory taxation. Mr Brown has already decided to respond with further examples of the tough choices he would be ready to make in government. But there is no decision yet on whether to propose a higher top rate.

The economics argue for the option to be kept open, the politics for sticking with the present 40p rate. My own instinct has been that Messrs Blair and Brown should take the latter course. But there is a strong case that Labour can promise lower taxes for those at the bottom of the income pile only if it is prepared to take more from those at the very top.

Either way, such dilemmas confirm Mr Blair in his determination not to be complacent. And there is always Tuscany in August.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Regular review after Emu needed

From Mr John Szemerey.

Sir, How exciting but how sad to see President Chirac of France and Chancellor Kohl of Germany meet to discuss the future shape of the European monetary system ("Chirac and Kohl fail to make progress on Emu," December 10). Exciting, because we are seeing history being made, as Europe prepares for the big leap forward to having one currency. Sad, because Britain is totally ignored and marginalised, thanks to the weak and vacillating government of John Major reacting to Eurosceptic pressures.

Kohl and Chirac are both right. Of course it must be elected politicians who lay down the rules under which the European monetary system and the single currency will function and who specify the European Central Bank's responsibilities and how it is to carry them out. But, once agreed, the monetary system should be run independently and impartially by the central bank.

If there were two hands on the controls, a political hand (as France now seems to be asking) and the hand of the European Central Bank, there would be a great risk of decisions being influenced by party political or national-political considerations. This is unacceptable.

What should be considered, however, and has not been so far, is that the remit of the European Central Bank and the rules of the European monetary system should be reviewed by elected politicians after an initial period of, say, five years and then be subject to further reviews at regular multi-annual periods.

This would enable democratically-elected politicians to correct and update both in the light of developments (eg if the single European currency becomes a leading international currency) and of experience.

John Szemerey,
76 Marnixlaan,
B-3090 Overijse,
Belgium

Security in a common arms code

From Mr Paul Eavis.

Sir, Rationalisation of the European defence industry is indeed necessary for competition ("EU struggles to get defence set together", December 11). It is imperative, however, that a desire to be competitive does not override security concerns. The danger is that cross-border ventures and acquisitions will facilitate the by-passing of national controls in those countries which operate restrictive export policies. In time, this could lead to the reduction of European export controls to the lowest common denominator. This would inevitably increase the flow of arms to regions of tension, military aggressors and countries that abuse human rights.

A necessary concomitant of a rationalised European defence industry is an effective European arms export control policy. In the aftermath of the Gulf war, European states adopted eight criteria governing the arms trade. However, they have had limited effect as they are vague and subject to differing interpretation. Cross border collaboration now makes it essential that a binding EU code of conduct is introduced.

The current inter-governmental conference negotiations provide the ideal forum for the introduction of such a code. A common security outlook will be impossible if member states continue to undercut each others arms export controls.

Paul Eavis,
executive director,
Saferworld,
3rd floor,
33/34 Alfred Place,
London WC1E 7DP, UK

Europe can claim to have invented Internet

From Mr Norman Dombey.

Your editorial "Cyberpiracy" (December 6) states that "The Internet was designed as an open information highway for US scientists". It is true the Pentagon funded advanced computer networks like ARPANET, to which US (and UK) scientists had access during the 1970s and 1980s, but these networks only allowed remote access to other computers on the network and the use of electronic mail.

Nowadays most people consider the Internet as synonymous with the world wide web, which was invented by scientists in Europe, not the US. Tim Berners-Lee and Robert Cailliau proposed the world wide web in October 1990 at the European Particle Physics Centre CERN in Geneva and the demonstration programme was developed soon afterwards. The first US server was installed at Stanford (also in a particle physics facility) in May 1991.

Norman Dombey,
Centre for Theoretical Physics,
University of Sussex,
Brighton BN1 9QJ, UK

Coinless society idea from another planet

From Mr Steve McGiffen.

Sir, May I ask Mr Selwyn Hodson Pressinger (Letters, December 10) how those of us who like to give spending money to our children and express our solidarity with less fortunate people by giving money to beggars or by buying The Big Issue, or by dropping a few francs in a street busker's hat in appreciation of a song, will manage these things in his brave new coinless Europe?

Will we really need a credit/debit card when buying a cup of tea, a bar of chocolate or a Rizla packet?

The fact is that the flight of fancy necessary to arrive at a coinless currency is typical of the thinking (or lack of it) of that class of people who increasingly control economic decision-making and who do not seem to live on the same planet as the rest of us at all. Their greatest achievement is, of course, Emu itself – with or without coins.

Steve McGiffen,
boulevard du Midi 135,
1000 Brussels, Belgium

Condition for making China WTO member

From Mr Andrew Wigley.

Sir, In your editorial "China and the WTO" (December 11), you claim that 10 years of negotiations for Chinese membership of, first, the General Agreement on Tariffs and Trade and now the World Trade Organisation, have been long enough.

It is true US platitudes through favoured trading status and the formal EU/China dialogue which opened this year have done little to encourage reform. Only accession will set conditions for China's integration in the world market. The return of Hong Kong to China on July 1 next year may affect European trade with the region. We cannot afford to let this marketplace be restricted by the People's Republic of China.

However, one of the many criteria which you fail to mention is the issue of human rights. To grant membership now, as you suggest, would be an act of hypocrisy on the part of the western powers and would be a dereliction of our responsibility to post-colonial Hong Kong.

Membership should come at a price, one which China can yet afford.

Andrew Wigley,
23 rue General Capiaumont,
1040 Brussels,
Belgium

Spread a little happiness

From Mr Martyn Biesheuvel.

Sir, With the prospect of the Netherlands hosting the European presidency in the new year, I am glad to read that James Morgan ("There is only one satisfied country in the EU", December 1) considers our nation to be one of marginal domestic problems.

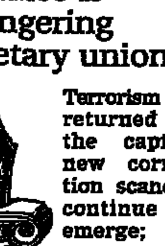
Hopefully we can spread a little of our satisfaction among the other member EU-nations during the six-month presidency – they seem to need it.

Martyn Biesheuvel,
Sloterkade 34/hs,
1058HE Amsterdam,
The Netherlands

Europa • Dominique Moïsi

Gloom of the sick man

The deep sense of malaise in France is endangering monetary union



Terrorism has returned to the capital; new corruption scandals continue to emerge; the government's privatisation plans have been thrown into confusion.

With unemployment continuing at a postwar high, the mood in France is gloomy. The French are disillusioned with President Jacques Chirac, the man they elected more than 15 months ago. And they expect very little from the parliamentary elections in 1998.

Morosité has become a codeword to summarise the state of mind of the French. Could France, once a driving force in Europe, now be the sick man of Europe, torn by self-doubt, poor economic performance and fear of the future?

The Germans *also* face economic difficulties, particularly with unemployment and the public recognition of the costs *of reunification.* But they have a strong, reassuring leader in Chancellor Helmut Kohl – and they are aware of their central role in the European Union.

The British have their political problems. But they can take comfort from the recent improvement in their economy – while next year's general election could renew the government.

Both Germany and the UK are suffering the same malaise that afflicts most of western Europe: states face the challenge of adjusting to globalisation, which draws powers away from national bodies and forces reductions in public spending.

But that crisis affects France more because there is more state in France and because France has identified its future with the European project.

Power in France is excessively centralised in the executive, the higher civil service is dangerously politicised and scandals are still exploding in the absence of clear rules for the financing of political parties. The state needs to be reinvented on a more modest and honest basis.

Can it be done, given the incestuous relationships between the political, administrative and business elites? It is unlikely such a homogeneous group could make the necessary break with conformity and conservatism.

Some observers believe there may be an "Italianisation" of the French political system, in which the main parties collapse like a house of cards and give birth to a New Republic. But that is equally unlikely: the French state is more powerful than Italy's and French society is less dynamic, less willing to take risks than its Italian counterpart.

Yet the likely continuation of *morosité* will have an impact that goes well beyond France – one that may constitute one of the biggest challenges to the completion of the process of creating a European Union.

Members of the pro-European majority in the French parliament appear to discuss the single currency with the serene resignation of early Christians about to die for their faith in ancient Rome: "We will remain faithful to the Maastricht objectives, but we will be wiped out in the next elections," might be their view.

In such a climate, it is hard to believe the timetable and objectives of economic and monetary union will be achieved if growth does not pick up – whatever officials say.

The contrast between the downbeat mood of younger French people and the optimism of young urban Poles, for example, is a perfect illustration of the crisis of the EU. The French inside the Union feel gloomy and fear for the future; the young Poles outside the Union are full of hopes for the future.

Instead of being perceived as a goal or even – less ambitiously – as a solution, the European Union is seen as either the problem or an irrelevant answer to the daily preoccupations of the French: unemployment and insecurity.

In a contradictory manner, the EU is seen as being both too intrusive in a bureaucratic sense and too impotent on the international stage. From the diktats of Brussels to the failure of Europe in Bosnia, the European project is losing its allure and purpose for France.

The growing discontent is shrewdly exploited by Jean-Marie Le Pen's extreme right.

The Germans are witnessing events in France with a mixture of bewilderment and anxiety over their potential impact on the timetable for Emu. Having lost his old friend and ally François Mitterrand, Mr Kohl does not feel reassured by the new French leadership. Mr Chirac's dedication to the cause of Europe is seen as less emotional and less deep than his predecessor's.

As the gloom deepens in France, it would be sad if the present French state of mind strengthened the Eurosceptics in the UK. It would be an ironic turn of events at a time when the Labour party may be about to come to power, bringing a new and more positive approach to Europe.

Europe cannot be fully unified without the UK. But without a secure, convinced and firm French presence it is the entire European Union project that would be placed in jeopardy.

Vicious circle: the recent blockades by striking truck drivers are a symptom of French gloom
Picture: AP

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. *He writes here in a personal capacity*

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday December 13 1996

Mr Clinton's dead centre

Mr Bill Clinton's speech to his old friends at the Democratic Leadership Council on Wednesday, his first formal address since being re-elected, was notable less for what it said than for what it did not say. "The centre can hold," he proclaimed. "The centre has held and the American people are demanding that it continue to do so." All true. But as Mr Clinton now recognises, holding the centre leaves him more than ever aiming to tinker with the status quo, not fundamentally reform it.

The speech contained very little in the way of new ideas, but as far as domestic policy was concerned there were two basic messages. The first was that the onus for solving the country's problems would be more widely shared. Washington would still play a supporting role, but often it would be up to others – notably state governments and the business community – to come up with new ideas and make them work in practice.

Second, and related, in the search for practical solutions there would be little room for ideology, be it of the far left or the far right.

Nowhere were both themes more evident than on welfare reform, to which Mr Clinton devoted a considerable portion of his speech. He stressed, once again, that the sweeping welfare reform legislation he signed in the summer was "just the next step, not the end of the road". But true to the terms of the bill itself, the further steps he sketched out involved only a marginal role for the federal government. Echoing the Reverend Jesse Jackson's Democratic party convention speech, the president argued forcefully that business would have a vital role in making "welfare to work" a reality.

The modesty of Mr Clinton's proposals was understandable. After all, the electorate showed little desire for more radical change in the election – and Mr Clinton would hardly be in a position to deliver it even if they had. But there are several areas on which the president ought to think of taking a stronger stand, ideally before Congress convenes next month.

On education, he should show more willingness to translate his speech into action by giving federal permission for a broader range of local experimental reforms, for example through voucher schemes. Most important would be social security reform, conspicuously absent from Wednesday's speech.

The lesson of past entitlement reforms is that changes not endorsed by both parties do not stay on the books for long. The nature of his election victory gives Mr Clinton a golden opportunity to enact lasting reform and put his new pragmatism to good use.

Fresh water

Yesterday's agreement with India on sharing the water of the Ganges is more than just a fine way for Bangladesh to celebrate its first quarter century as a nation. For the countries of south Asia as a whole it holds out the hope of a more peaceful coexistence.

Water has been a bilateral bone of contention ever since India dammed the Ganges at Farakka, just west of its border with Bangladesh, in 1976. India wanted to divert water to Calcutta to prevent its port silting up. Bangladesh complained that the barrage deprived it of water in the dry season and exacerbated monsoon flooding.

This week's agreement owes much to a fortunate coincidence of political circumstances. Sheikh Hasina, leader of Bangladesh's new Awami League government, is more sympathetic to India than her predecessor. Mr I.K. Gujral, foreign minister in India's new United Front government, has sought conciliation with neighbours.

There is thus scope for building on the Farakka accord. The climate is now more propitious for a deal on transit whereby Bangladesh would open routes to India's remote north-east. Bangladesh could agree to allow its port at Chittagong to be used for Indian trade.

Even now such deals would take considerable political courage. Bangladesh would have to overcome what it feels is risk to its sovereignty and security from such concessions. But practical progress on improving India's relations with Bangladesh would be a constructive example for Pakistan.

The prospects of much headway being made in India's far more complex bilateral relationship with Pakistan still look slim in the short run. The United Front undermined its own hopes of better relations by holding elections in Kashmir shortly after it took office. Pakistan is so beset with its own internal problems that it cannot easily respond to new initiatives.

But it is in everybody's interest that relations improve. More than a quarter of Pakistan's budget goes on defence: it could be cut if a better relationship with India afforded more security. Both countries would prosper from greater trade exchanges. Security would follow from economic interdependence.

But India needs to offer more than the vague expressions of goodwill which characterised Mr Gujral's initial overtures. A specific agenda for activating the 1972 Simla agreement, which committed both sides to bilateral talks, would force a response from Pakistan. The Farakka deal shows what can be achieved in this troubled region. It must be followed up.

Trading places

To those of an old-fashioned disposition, the latest changes to London's FTSE stock market index might seem to fit a familiar pattern. Out go two venerable manufacturers, Pilkington and Courtaulds. In come two providers of services: Mercury Asset Management, the fund manager, and Hays, which rents out anything from temporary accountants to warehouses.

If this suggests creeping de-industrialisation, the truth is more complex. The previous adjustment to the index saw the addition of a 90 year-old cigarette manufacturer, Imperial Tobacco, and the departure of a recently formed utility, Southern Electric. The round before brought in the merged components manufacturer LucasVarity, and dropped the demerged rental group Thorn.

Besides mergers and acquisitions, changes in the index have much to do with the luck of the draw. Courtaulds and Pilkington are both out of favour at present as cyclical stocks. In the past, changing fortunes have moved companies such as Cookson, the specialist materials group, and Next, the retailer, in and out of the index several times.

Comparison of today's constituents with the original 100, dating back to the start of 1984, shows a similarly mixed picture. The original list contained plenty of old manufacturing names now vanished as independent entities, such as Plessey, Ferranti and Hawker Siddeley. But it also had its share of vanished service companies: Exco, Globe Investment Trust and BET.

Closer investigation confirms the pattern. In 1984, just over half the index – around 58 stocks – consisted of companies which made things, whether beer, chocolate, chemicals or buildings. Today's list – depending on definitions – contains 56. The number of retailers, meanwhile, is constant at 12. The number of banking and financial service companies has fallen from 21 to 17.

The biggest change in those 12 years, of course, has been the privatisation of utilities. The effect of this has proved slightly unexpected. Originally, it was thought that the inclusion of boring water and electricity companies would make the UK equity market more stable. Instead, bid activity and the vagaries of the regulators have had the opposite effect.

The utilities have also weighed against any trend to de-materialising Britain's wealth. Reservoirs, gas pipes, power stations and pylons are nothing if not physical assets. Economically speaking, there is nothing whatever wrong with a nation gaining its wealth from services. In stock market terms, though, the UK is not there yet.

The trauma of the truth

South Africa's former combatants have little time left to disclose knowledge of human rights violations, writes Roger Matthews

Time is running out for South Africa's former political and military masters, and those who acted in their name. They have just 24 more hours to decide whether to confess all they know about about the horrendous human rights violations committed by the security forces during the apartheid years.

If they do, and their acts are judged to have been committed for political purposes, they can be granted amnesty. But failure to disclose could mean living the rest of their lives under the threat of criminal or civil prosecution.

They are not alone in their dilemma. Senior members of the politically dominant African National Congress, including some who now sit in or close to government, face the same choice. They have the option of admitting their role in the bombings and killings, including the vicious treatment of suspected informers and the execution of others in guerrilla training camps, or of remaining silent.

The process is an essential part of the political compromise hammered out in 1993 which led to South Africa's first fully democratic elections, and the transfer of power to the ANC the following May. Part of the agreement was that a Truth and Reconciliation Commission should be established. The aim was not retribution, but to expose the truth about South Africa's bloody past. By so doing, wounds would be allowed to heal, a fresh start be made, and a way found to avoid such calamities in future.

The Truth Commission is also facing critical weeks. Since it was established early this year, much of its time has been taken up hearing the accounts of victims and survivors of tragedies. The maimed, the mentally scarred, mothers desperate to know the fate of sons, daughters the fate of fathers, some bitter, others weeping, a few vengeful, others forgiving, have appeared at hearings throughout the country. Sometimes the audiences have been large, other times sparse, but always predominantly black.

Archbishop Desmond Tutu, who heads the commission, has warned of the serious consequences for the nation if a line cannot be satisfactorily drawn under the shocking events of the years from 1960 to 1993. "After seeing the reactions of victims and the public to the atrocities which have been revealed, can anyone doubt that despite more than two years of democracy, South Africans remain a traumatised people?" he asks.

For the past few weeks he has been meeting the leaders of political parties to explain again the potentially serious consequences of them not urging their members to apply for amnesty.

The reasons for not coming forward are many. There is widespread scepticism whether the Truth Commission, with its 60 investigators and limited budget, can in the 24 months it has been allotted possibly unearth the truth behind so many gross human rights violations spread over more than 30 years.

The acquittal of General Magnus Malan, former defence minister, and other high-ranking officers on 13 charges of murder following a six-month trial in Durban this year reinforced doubts that South Africa's over-stretched police and creaky legal system could ever successfully prosecute more than a handful of cases. Gen Malan has since urged soldiers not to apply for amnesty, and to take their chance with the courts.

Among participants on both sides of the bitter struggle there also remains a strong belief that they were fighting for a just cause, on one side to liberate the nation from the tyranny of apartheid, on the other to maintain a bulwark against the spread of communism and Soviet influence.

And the work of the Truth Commission cannot be divorced from contemporary politics. While some present and former security officers might fear physical retaliation if they confess, the politicians are also mindful of the damage that could be inflicted on them by the electorate, both regionally and nationally.

Mr F.W. de Klerk, president from 1989 until 1994 and, like Archbishop Tutu, a Nobel Peace Prize winner, again apologised for the excesses committed under apartheid when, as leader of the opposition National party, he presented its submission to the Truth Commission. But he would not accept full responsibility, and does not plan to seek amnesty.

"I retain my deepest respect for our former leaders," he told the commission in August. "Within the context of their time, circumstances and convictions, they were good and honourable men, though history has shown that as far as the policy of apartheid was concerned they were deeply mistaken in the course on which they embarked."

He also sought to exonerate himself for what he did while president. "No president, minister, commanding officer, or indeed archbishop, can know everything that takes place," he said. "In dealing with unconventional strategies [to counter ANC guerrillas], I want to make it clear that within my knowledge and experience they never included the authorisation of assassination, murder, rape or assault."

The ANC was rather more forthcoming, providing some details of guerrilla actions it had ordered, and a list of people who had been executed in its training camps. But Mr Thabo Mbeki, the deputy president, insisted that the ANC was fighting a "just war", a view expressed more forcefully by other senior members of the organisation who have questioned the moral need to apply for amnesty.

But the most unco-operative was Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, in whose home province of KwaZulu-Natal some of the worst violence occurred. He regretted the loss of life, but knew nothing more specific. No senior members of the party have yet applied for amnesty.

Elsewhere, however, the Truth Commission senses that it is making progress, or even that a dam may be about to burst. With the December 14 deadline for amnesty at hand, applications and inquiries about procedures have mushroomed, averaging more than 100 a day. The majority of the more than 3,800 applications already received have come from people in jail.

More important, the seniority of the applicants is increasing. Five senior white police officers have been giving what members of the the commission believe is crucial information. Mr Joe Modise, who headed ANC military operations in the 1980s and is now minister of defence, has applied for amnesty, as has Mr Adriaan Vlok, the former minister for law and order.

Such has been the recent surge of applications that the Truth Commission would like President Nelson Mandela to extend the deadline by another three months. But this would make it even harder for the commission to complete its work within the two-year limit, thereby extending the pain for a nation which is being forced to confront a range of harsh economic and social decisions.

South Africans have also discovered this week the anguish of giving amnesty. Mr Brian Mitchell, a former police captain, had been sentenced to death in 1992 on 11 counts of murder and two of attempted murder. His death sentence was commuted to 30 years' imprisonment just before the 1994 general election. This week he walked free, having been granted amnesty. The committee hearing his application decided the massacre in KwaZulu-Natal in which he was implicated had been part of the "total onslaught" against the ANC, and Mr Mitchell had behaved "within the scope of his official duties".

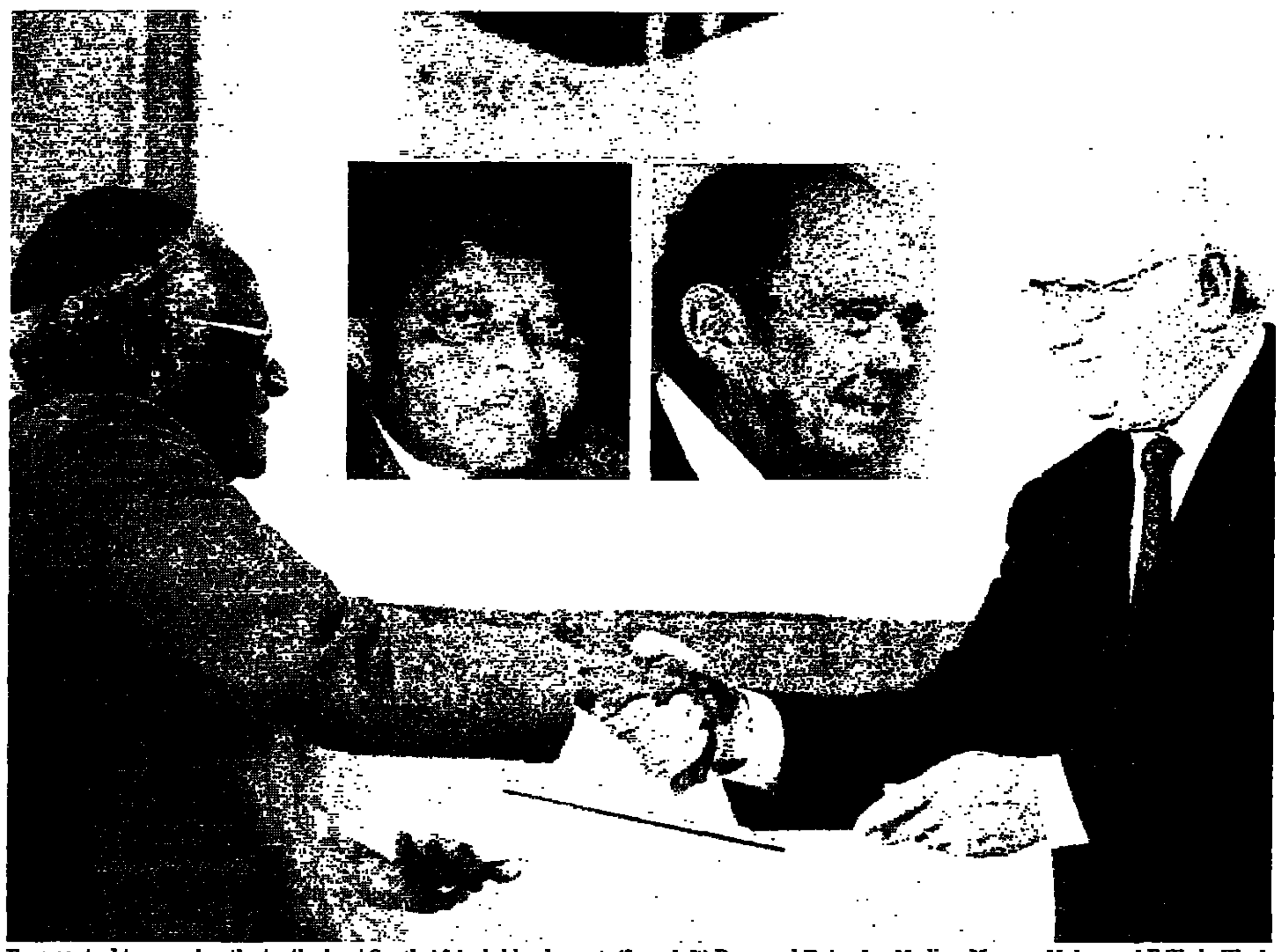
Angry outbursts followed from several of the victims' families, and more are sure to follow. Mr Mitchell is only the first of several high-profile convicted killers who expect to be granted amnesty. Much of the public anger has focused on allowing such men to walk free while nothing has been decided on compensating the victims, which forms another essential part of the Truth Commission's work.

One of its three committees is specifically charged with providing a framework and with working out details of reparation and rehabilitation for victims and their families. Its work is progressing but reparations will require money from a government committed to reducing the budget deficit. The results of its recommendations will be an essential counterbalance to amnesty, but no one yet has any idea how much it will cost.

Striking a balance between freedom for the perpetrators of crimes, and "restoring the human and civil dignity of the victim", as its mandate demanded, was always going to be a near-impossible task for the commission. Such an achievement would require the whole-hearted co-operation of everyone involved. It is already clear that this will not be forthcoming.

The commissioners have the sensitive task next year of deciding how vigorously they will press reluctant witnesses. Political leaders can be sure of intense cross-examination on the submissions they have already made. Mr Alex Boraine, deputy to Archbishop Tutu, says there are many big gaps and omissions to be probed, and subpoenas can be issued for anyone who refuses to appear.

At the same time the commission wants to avoid giving the impression that it is becoming the "witch hunt" that its detractors always claimed it would be. But people are going to be bruised, perhaps badly – as others believe they should be. The danger is that in its determination to reveal the truth, the commission could inflame existing wounds rather than heal them.



Four central to exposing the truth about South Africa's bloody past: (from left) Desmond Tutu, Joe Modise, Magnus Malan and F.W. de Klerk

· OBSERVER ·

Romiti in the driving seat

■ The political ambitions of Cesare Romiti, the forceful chairman of Fiat, are often discussed but never proven. However, the 73-year-old Fiat boss has just given another demonstration of his power by ensuring that his appointee has been made editor of Il Sole 24 Ore, the authoritative voice of Italian business.

The new editor, Ernesto Auci, was touted by Romiti for some six months and was previously Fiat's chief press officer. Auci, 50, had earlier worked at Sole, rising to be a deputy editor. But in 1984 he moved into public relations, working for eight years at Confindustria – the industrialists confederation and main Sole shareholder – before joining Fiat in 1992.

Confindustria has never concealed its interest in Sole, but Auci's previous links with the organisation and Fiat, its most powerful member, have raised eyebrows.

Auci is not the only editor picked by Romiti. In May, he played a big hand in selecting the new editor of La Stampa, the Turin daily owned by the Agnelli family. He is also thought to exercise considerable sway at Corriere della Sera, the most influential Italian daily, in which Fiat-Agnelli interests have a significant stake.

Romiti is due to retire from Fiat in 18 months' time. But he has already begun to make carefully chosen remarks which have stirred the political waters. The most recent was an interview flatly contradicting government policy on the EU, saying it was better to delay entry into the single currency. Giovanni Agnelli, now honorary chairman of Fiat, would never have been so blunt when he was in charge.

Handover fist

■ Does the anticipated departure in January of Jiang Enzhu, China's ambassador to the UK, mean that Beijing is downgrading relations with the UK? After all, Jiang is a former vice-minister in Beijing's foreign ministry. His appointment a year ago was taken as a sign of the importance China attached to its bilateral relations with Britain in the run-up to July's handover of Hong Kong.

But despite his shorter than expected stint in London, Jiang looks likely to remain heavily involved in matters relating to Hong Kong. A courteous man with excellent English and formidable mastery over the technicalities of the handover, he is now tipped to become the foreign ministry's senior man in the territory. Jiang's experience at the Court of St James makes him eminently qualified for the job. British officials still wince when they recall his chilling determination in the abortive bilateral negotiations over the Patten democracy reforms – and his equally tough stand in subsequent negotiations on the court of final appeal. Sounds like a tough cookie.

Low spirits

■ Swedish finance minister Erik Asbrink has been in poor humour this past fortnight. The tough-talking Social Democrat went ballistic after Swedish insurer Skandia offered to merge with the mortgage bank Stadshypotek – now also subject of a bid from Handelsbanken – cheekily pre-empting his plans to auction the state's 34 per cent stake in the bank. Asbrink ranted for several days against Stadshypotek's directors for accepting the offer, issuing veiled threats to unseat them by calling a shareholders' meeting.

No sooner did he begin to calm down than he ran into another mess. Few things upset egalitarian Swedes more than extravagant executive pay, so Asbrink must have reckoned on currying electoral favour by announcing tougher rules for the remuneration of managers in state-run companies. Instead, he found himself spotlighted for breaches of existing guidelines by Vin & Sprit, the state-owned alcohol wholesaler of which Asbrink was a director until this year.

Oversights included a failure to disclose in the annual report details of "golden parachutes" and pension benefits. A terse statement by Asbrink, issued to Swedish Television through his press secretary, said he took his share of responsibility for the omissions. Some days nothing seems to go right.

Trade games

■ As the ministerial conference of the World Trade Organisation draws to a close in Singapore, weary diplomats are searching for suitable descriptions of the chaotic negotiating sessions which kept many of them awake into the early hours. Prize for the wittiest summing-up goes to an EU official, who says the whole event is like a combination of three board games.

The first is Cluedo, because you have to guess who did what to whom in which room; the second is Monopoly, because it seems to go on forever and causes regular family quarrels; the third is snakes and ladders, because as soon as you think you've got somewhere, you find you're back where you started.

The Financial Times

50 years ago

Grain From Canada
Winnipeg, 12th Dec. Up to date only about 50 per cent of the grain shipments expected by the British Ministry of Food under the Canadian contract have been forthcoming – namely about 20 million bushels in October and the same for November. Delays are causing increases in the dollar costs. It is held here that the negotiators of the wheat agreement were inexperienced and had little appreciation of the problems of the transportation and handling of grain, or they could have foreseen the problems of transportation which obviously would arise in the movement of such a large quantity of wheat overseas.

No Change In Rupee
A message received from Delhi yesterday states that the Indian Government has notified the International Monetary Fund that no change was called for in the par value of the rupee. This disposes of recent suggestions that the new Indian Government was considering a downward adjustment in the value of the rupee.

U.S. Copper Price
The export price for U.S. copper, f.a.s. New York, has been advanced one cent to 19.50 cents per pound.

FINANCIAL TIMES
Friday December 13 1996

Plan needs support of other countries

Trade powers seek end to IT tariffs by 2000

By Guy de Jonquières in Singapore

The world's four biggest trading powers yesterday agreed to eliminate tariffs on most information technology products by 2000.

The US, the European Union, Japan and Canada, which generate more than half of world IT trade, launched a push to persuade other countries to back a draft accord by March 15.

They say that countries covering about 90 per cent of total trade in the industry must agree to abolish tariffs for the deal to go ahead.

Under the planned agreement, tariffs on IT trade valued at about $500bn a year would be eliminated by 2000. The deal would cover products including semiconductors, computers, telecommunications equipment and many types of software.

The EU expected at least 10 countries to add their support to the accord today, the last day of the World Trade Organisation's ministerial meeting in Singapore. Their participation would raise the proportion of trade covered to 85 per cent.

"I am very very optimistic that others will come on board and that we will get a deal by March 15," Mr Peter Carl, the EU's chief negotiator said.

Ms Charlene Barshefsky, acting US trade representative, said an agreement had not yet been clinched but hoped it would start to take shape today.

Sir Leon Brittan, EU trade commissioner, said an IT agreement would be the biggest trade liberalisation measure since the Uruguay Round negotiations ended three years ago.

Mr Ian Lang, UK trade and industry secretary, put the duty savings on Britain's IT exports at £350m a year. The proposed deal was hammered out after four days of intensive EU-US negotiations, in which Brussels appeared to secure the biggest concessions.

It overcame US reluctance to scrap tariffs on capacitors, digital photocopiers, fibre-optic cables and computer screens, while rebuffing US pressure to remove tariffs on music and entertainment software.

The US successfully resisted EU demands that the deal should cover graphic display tubes and raw optical fibres. However, Washington agreed, as compensation, to eliminate its tariffs on brown and white spirits, such as whisky, cognac and gin, saving duties of $35m a year on EU exports.

US and EU tariffs on IT products may be eliminated before 2000 if the two sides can agree a formula for accelerating the cuts. The EU has proposed removing all IT tariffs by 1998. But the US wants to abolish them immediately only on semiconductors, on which EU tariffs are the highest in the industrialised world.

The EU said the US and Asian exporters would gain most from the proposed agreement, which it expected would increase its own IT trade deficit. But Brussels said many of its industries would benefit from cheaper imports of IT equipment and components.

Governments expected to back the agreement today include South Korea, Singapore, Hong Kong, Indonesia and Taiwan, which is not yet a WTO member.

Malaysia, which is the world's largest semiconductor exporter and has expressed reservations about aspects of the WTO agreement, has still to commit itself.

Long Yongtu, China's assistant foreign trade and economic minister, at the WTO conference in Singapore yesterday AP

WTO refuses to link trade to labour rights, Page 8
Observer, Page 21

UK plans extra cull in attempt to end beef ban

By George Parker and Maggie Urry in London,

The British government will announce plans on Monday for a selective cull of up to 125,000 extra cattle in a last-ditch attempt to persuade the European Union to end its worldwide ban on British beef exports.

Mr Douglas Hogg, agriculture minister, won agreement for the cull in a behind closed doors deal late on Wednesday night after Mr Kenneth Clarke, the chancellor, approved the estimated £150m-£200m ($247m-$330m) needed for the scheme.

The cull of those cattle thought most likely to develop BSE will be implemented early in 1997. The government believes the move would represent the final condition agreed by Britain at the EU summit in Florence last June for a possible lifting of the ban

Nonetheless, Mr Hogg is privately concerned the new cull – which was welcomed by UK farmers last night – will not be enough to persuade Germany and other sceptical EU member states to end the ban.

"If we carry out the selective cull, we will have fulfilled all our obligations under the Florence agreement, but it still might not be enough," admitted one senior government official.

Only three months ago, Mr Hogg indicated that the UK would not carry out the selective cull, pointing to new scientific evidence that the disease would die out from the national herd by 2001.

But since September, he has come under increasing pressure from farmers to honour the agreements made at Florence in the hope that it might lead to some lifting of the export ban.

However, the plan is likely to be opposed by some Eurosceptic members of Parliament in the ruling Conservative party. Last night, Sir Teddy Taylor, the Eurosceptic MP for *Southend East*, said: "Before we spend another pound on an additional cull, we must have a specific assurance from the EU that the ban will be lifted."

Officials said it could take some time to track down those animals thought to have eaten possibly contaminated cattle feed in the 1980s, although the task would be easier in Northern Ireland where a computer database tracking cattle movement has been in place for many years.

Mr Hogg is understood to be willing to press for the ban on beef from selected BSE-free herds in Northern Ireland to be lifted before those elsewhere in the UK, if the cull is completed first in the province.

THE LEX COLUMN

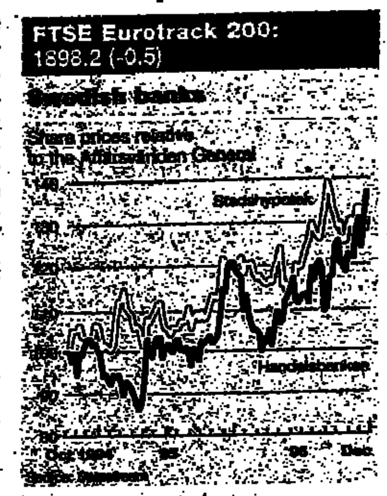
Revamping AMP

AMP, Australia's largest life assurer, has powerful reasons to follow some of its smaller competitors and demutualise. Its management rightly wants to run the organisation as a proper company; with shareholders to please, the disciplines on the business should be sharper. Yet this high-minded argument would be more compelling if AMP was not also suggesting that shareholdings of more than 5 per cent should be blocked.

This is not an academic point. Some really hefty institutional shareholders in AMP, and – and ultimately – the threat of takeover, would be a useful discipline on the unnerving enthusiasm for overseas expansion voiced by its management yesterday. The risk is obvious; with growth prospects at home dull and currently constrained by regulation, the temptation to splurge some of AMP's plentiful capital on dubious "strategic" acquisitions abroad is great. Of course, AMP did manage to pick up a bargain when it bought the UK's Pearl in 1989. But such opportunities do not grow on trees. By and large, foreign acquisitions are unlikely to generate enough real synergy benefits for AMP to justify the premium it would have to pay.

If this sort of spending spree is on the cards it is better AMP should have to defend it to at least some shareholders. But if their holdings are too small for them to have real clout, this may well not be enough. So the victims of the restriction AMP is proposing are all too likely to be the group's own members.

FTSE Eurotrack 200: 1898.2 (-0.5)



Thomson

The French government's decision to split the privatisation of Thomson into two is a small step in the right direction. Thomson Multimedia, the troubled consumer electronics side, will still need a subsidy; but, given that the cash injection will now be transparent, the European Commission should be able to insist on a tough recovery plan in return. An effective turnaround could even mean a bonus for France's taxpayers: when privatisation eventually occurs Multimedia could be worth more.

The more immediate hope must be that the government will launch a public offering for its 58 per cent stake in Thomson-CSF, the defence electronics arm. That could produce a better price than trade sale to a French company, the original scheme. More importantly, an independent privatised Thomson-CSF would be able to negotiate the cross-border alliances that make the most industrial sense – something a trade sale to Lagardère, one of the earlier bidders, would complicate.

France might worry that floating Thomson-CSF would leave Matra, Lagardère's smallish defence business, in the lurch. But that need not be so. Lagardère could still merge Matra into a privatised Thomson-CSF in return for a minority stake. A further advantage of doing so is that Thomson-CSF would be financially stronger than after a trade sale to Lagardère – and hence better able to take a leading part in the restructuring of Europe's defence industry. That should appeal to French national pride.

Stadshypotek

The Swedish government kicked up such a fuss over Stadshypotek's agreed takeover by insurance company Skandia that it would have looked remarkably foolish if it had not secured a better offer. Fortunately, its blushes have been saved by Handelsbanken, which has made a cash offer for the mortgage bank sufficiently generous to seem unlikely to be trumped.

The industrial logic for selling Stadshypotek to another Swedish financial services group was impeccable, given the rate at which it was losing market share. Both the management and the largest shareholder, the government, were agreed on this front. Nonetheless, a bank was always the obvious buyer. Handelsbanken could axe Stadshypotek's head office, several of its 39 regional offices and a large chunk of its information technology bill.

By comparison, Skandia was looking for so-called financial synergies; namely, it could raid Stadshypotek's balance sheet to fund its own investment plans.

Handelsbanken can justify offering more than Skandia, but this price appears high. Handelsbanken's cost-cutting plans look restrained, ruling out compulsory redundancies. The combined group's vast share of Sweden's dwindling mortgage market will come under pressure, as will its lending margins. Handelsbanken is clearly keen to build up its size, in case European monetary union brings with it increased competition. Its shareholders may find size is not everything.

Rank

The honeymoon for Mr Andrew Teare, Rank's chief executive, is over. Rank's shares have dropped 18 per cent since his arrival in April. The rot started with concerns about whether his strategic review could generate growth from Rank's patchy business portfolio. It continues with worries about whether he will even stick to this strategy, following the questionable £113m acquisition of Tom Cobleigh.

However, there have been important changes. He has lopped the riskier elements of his predecessor's £1.5bn investment programme. Hard Rock is finally getting the management attention, and cash, that it deserves. And he has rejuvenated senior management. Given the group's problems, from underinvestment in its cinema business to the future obsolescence of its video duplication business, there were no quick fixes. But the group's comparatively low divisional profit margins suggest Mr Teare has plenty to go for.

Next week's trading update should show a pick-up in momentum, which would increase confidence in the returns achievable from Rank's investment programme. Mr Teare would encourage greater confidence by giving shareholders much of the £1bn proceeds from a likely sale of its Rank Xerox stake next year. That would remove the management's temptation to over-spend. Given strong cashflow, a raft of bankable businesses and a possible eventual flotation of its Universal Studios joint venture, Rank would retain substantial firepower for the right deals.

Lex comment on Wickes, Page 27

AMP hopes for stock market listing

Continued from Page 1

members in Australia, 230,000 in New Zealand and a further 200,000 in the UK.

That includes policyholders with its UK branch and with London Life, the British-based mutual which merged with the AMP in 1989 but which has since been closed to new business.

However, the 2m policyholders in Pearl, the UK-based life office acquired by AMP in 1989, will not be eligible for shares. Unlike London Life, Pearl was a shareholder-owned company when it was bought by AMP and policyholders do not have membership rights.

AMP, which was founded in 1849 and has around A$90bn under management, is the third big Australian life office to pursue demutualisation - following National Mutual and Colonial Mutual. Members are likely to be asked to vote on the plan in the second half of 1997.

If they approve, the shares will be listed in Australia, New Zealand and probably the UK. AMP said that it expects to adopt some anti-takeover provisions for the listing.

Mr Trumbull said that a 5 per cent cap on any single shareholding for five years was one option. This was being discussed with regulatory authorities.

He added that evaluating the demutualisation option had cost the group about A$10m so far. The next stage, up to the listing itself, could cost another further A$50m-A$100m.

Handelsbanken bids for mortgage bank

Continued from Page 1

prised Swedish banking observers who thought Stadshypotek's price tag and Skandia's interest would deter rivals.

Mr Martensson said the acquisition would boost Handelsbanken's earnings per share by 26 per cent over five years. He said benefits would flow chiefly from rationalisation, but also from lower credit costs and extra business.

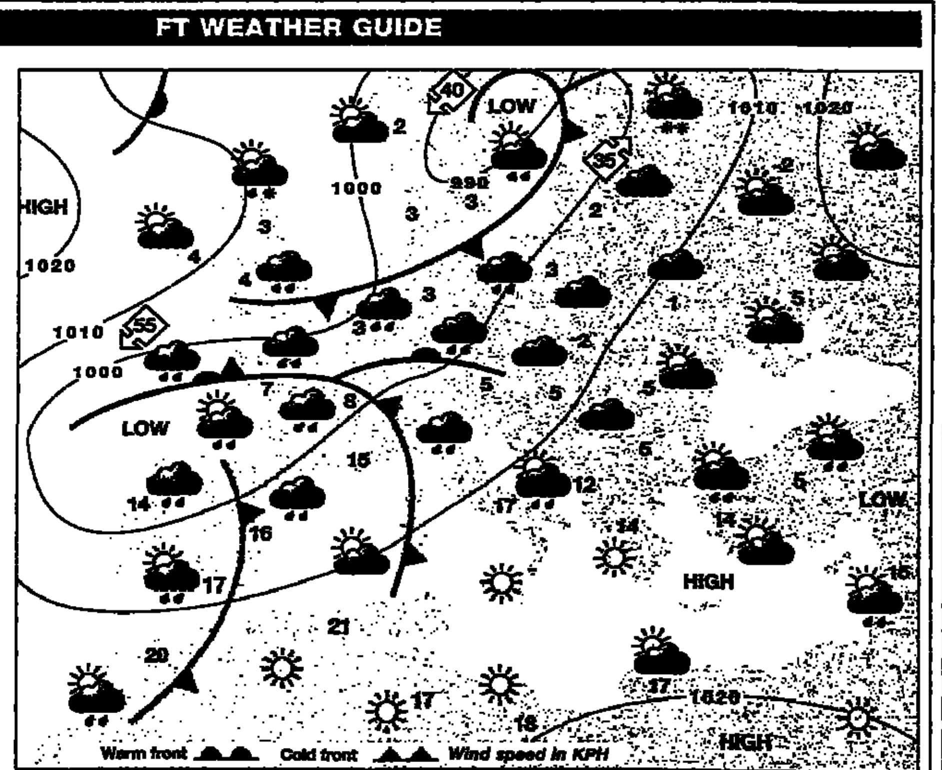
FT WEATHER GUIDE

Europe today

Europe will become unsettled.
The high pressure that brought misty conditions to much of the continent over the past few days is moving slowly eastwards.
Low pressure in the Gulf of Biscay is bringing cloud and rain to Spain and France.
More low pressure over Scandinavia will bring overcast conditions with widespread snow.
The Benelux will be cloudy with rain.
Eastern Europe will have high pressure.

Five-day forecast

Europe will have westerly winds.
The western part of the continent will be cloudy with showers or rain.
Low pressure in the Mediterranean will move east to Italy and the Adriatic sea, bringing heavy rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius														
			Beijing	fair	10	Caracas	fair	29	Faro	rain	16	Madrid	shower	12
			Belfast	cloudy	2	Cardiff	fair	4	Frankfurt	cloudy	5	Majorca	cloudy	18
Abu Dhabi	sun	24	Belgrade	rain	7	Casablanca	rain	19	Geneva	rain	7	Malta	fair	18
Accra	fair	30	Berlin	rain	3	Chicago	fair	5	Gibraltar	rain	18	Manchester	cloudy	2
Algiers	fair	21	Bermuda	thund	22	Cologne	drzzl	3	Glasgow	cloudy	3	Manila	fair	30
Amsterdam	rain	4	Bogota	fair	20	Dakar	fair	26	Hamburg	cloudy	1	Melbourne	sun	25
Athens	fair	13	Bombay	sun	33	Dallas	sun	21	Helsinki	sleet	1	Mexico City	sun	25
Atlanta	fair	16	Brussels	drzzl	3	Delhi	sun	23	Hong Kong	fair	19	Miami	fair	26
B. Aires	fair	28	Budapest	cloudy	4	Dubai	sun	25	Honolulu	shower	27	Milan	rain	7
B.ham	fair	3	C.hagen	cloudy	4	Dublin	fair	3	Istanbul	shower	11	Montreal	ice	0
Bangkok	fair	34	Cairo	sun	18	Dubrovnik	fair	9	Jakarta	cloudy	31	Moscow	cloudy	-1
Barcelona	shower	16	Cape Town	fair	25	Edinburgh	fair	3	Jersey	drzzl	6	Munich	drzzl	8
									Karachi	sun	29	Nairobi	fair	25
									Kuwait	sun	24	Naples	shower	13
									L. Angeles	fair	21	Nassau	fair	26
									Las Palmas	shower	22	New York	rain	6
									Lima	fair	24	Nice	rain	14
									Lisbon	rain	14	Nicosia	shower	15
									London	drzzl	5	Oslo	fair	0
									Lux.bourg	rain	4	Paris	fair	6
									Lyon	shower	8	Perth	fair	23
									Madeira	shower	20	Prague	fair	3

Rangoon	fair	33
Reykjavik	fair	3
Rio	rain	26
Rome	fair	10
S. Frsco	fair	16
Seoul	fair	8
Singapore	shower	30
Stockholm	snow	0
Strasbourg	rain	6
Sydney	fair	22
Tangier	fair	16
Tel Aviv	shower	19
Tokyo	shower	11
Toronto	rain	3
Vancouver	rain	7
Venice	cloudy	8
Vienna	fair	4
Warsaw	cloudy	3
Washington	rain	9
Wellington	shower	18
Winnipeg	fair	-7
Zurich	cloudy	4